

BELLTEL RETIREE

The Official Newsletter for Retirees of Bell Atlantic, GTE, NYNEX, Verizon and Its Subsidiaries

Spring 2004

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Association Hopes to Keep Momentum in Proxy Battle

Last year, members of the Association of BellTel Retirees made history as it defeated Verizon in two proxy proposals – the first time in the company’s 125-year history that any shareholder proposal has won over the objections of the company.

At Verizon’s Annual Shareholders Meeting in April, the Executive Severance Agreement proposal passed by an overwhelming margin of 59 to 41 percent. The proposal requires Verizon to seek shareholder approval of what retirees saw as overly generous “golden parachutes.”

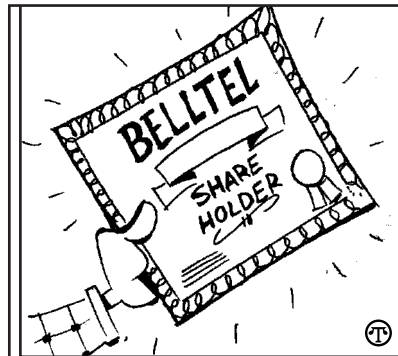
Earlier in 2003, Verizon agreed to exclude pension credits when calculating executive incentive pay in exchange for members of the Association withdrawing this proposal from the ballot. In 2002, that proxy had garnered 42.7 percent of the shareholder vote, and the retirees were pushing to put this one “over the top.” So rather than face a public defeat, Verizon sought a settlement with the retirees.

“For a little grassroots retiree organization to defeat Verizon in the shareholder arena is nothing short of Herculean, but to

win two proxies in just one year is absolutely remarkable,” said C. William Jones, President and Executive Director of the Association, shortly after the second proxy victory was announced. “This proves that small, united investors and retirees can make a huge difference.”

In September, Verizon amended its bylaws to reflect the new policy: “Shareholder Approval of Certain Executive Severance Agreements.” Under this policy, shareholder approval will be sought when severance agreements with senior executives provide benefits that exceed 2.99 times the sum of their base salaries plus bonuses. (“Benefits” include the current value of all post-termination payments not earned or vested before their termination.)

However, we are not yet satisfied with Verizon’s implementation of the proposal



By joining together, one company's retirees have changed the company's financial practices.

and, therefore, we have reintroduced the proposal as a binding Bylaw amendment that fully defines what is included in the severance agreement. We are still negotiating with Verizon and hope to reach an agreement that will make this proposal unnecessary. Should it be included on the ballot, we urge you to vote FOR this proposal

If Verizon’s board determines that it is not practicable to obtain shareholder approval in advance, it may seek approval after the terms of the severance agreements have been agreed upon.

See stories on the 2004 Proxy effort on pages 6 and 7.

Verizon Challenging Association Board Members’ Proxy Proposals

Two Proxy proposals sponsored by Association board members are being challenged by Verizon in an attempt to exclude them from the company’s proxy ballot for the annual shareholders meeting this year.

At press time, the Securities and Exchange Commission (SEC), which Verizon is petitioning, has made no decision as to whether the two proposals – “Allow a Vote on ‘Golden Parachute’ Agreements” and “Stockholder Proposal on Proxy Access For Director Nominations” – will be included on the company’s ballot or not.

Below is an explanation of the two proposals Verizon is trying to keep off the proxy. You will be notified of either their inclusion or exclusion from the proxy before your vote on these matters is required.

Allow a Vote on “Golden Parachute” Agreements

Association Board members Robert A. Rehm and Thomas J. Sisti will be submitting

a proxy proposal to amend Verizon’s corporate Bylaws to require shareholder approval of certain executive severance agreements or “golden parachutes.”

Last year, by a margin of 59 to 41 percent, shareholders approved an advisory version of the “golden parachute” proposal requesting that the company seek the approval of shareholders before awarding executive severance agreements with a total value in excess of three times an executive’s salary plus bonus.

In September, Verizon adopted a new policy which requires shareholder approval for new agreements “that provide for cash severance payments in excess of 2.99 times the sum of the executive’s salary plus annual short-term bonus.”

The Association board members who have submitted this year’s binding Bylaw amendment believe that Verizon’s new policy falls far short of the standard that was passed by shareholders last year. The policy tabu-

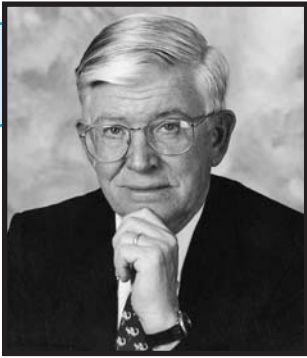
(Continued on page 7)

Verizon Brings Its Annual Shareholders Meeting to Virginia

Verizon Communications, Inc. will hold its 2004 Annual Meeting of Shareholders at 10 a.m. on Wednesday, April 28, at the Richmond Marriott Hotel located at 500 East Broad Street in Richmond, Virginia.

On the meeting agenda will be proxy proposals put forth by the Association of BellTel Retirees and retirees who are members of its board. We encourage retiree-shareholders in the Richmond area to attend this important meeting.

In this edition of the *BellTel Retiree* we have several articles that explain each of the proposals and what they mean to you as a shareholder. Please take time to read this material carefully and save it for when your proxy proposals arrive by mail. Then cast your vote, using your voice in the future governance of Verizon.



President's Message

by C. William Jones

Looking back, 2003 was a good year for your Association. We had two huge proxy proposal wins that sent a strong message to Verizon that we will not stand idly by while our benefits slip away and the senior officers help themselves to outrageous compensation and severance packages. We continue to meet with Verizon's officers in order to make sure they understand the problems that face our retirees and how the decisions they make help or hurt our membership. We clearly are a player in the corporate governance arena.

Our organization and the NRLN have been successful in making an impression in our nation's Capitol. Much of the credit goes to you for responding to our pleas to write, call and e-mail your Representatives

on a variety of issues. While not all of the legislation went the way we would have preferred, our messages were heard and we saw our imprint on some legislation.

Looking forward, we are well into 2004 and, from the looks of things, this could be a most important year for seniors. The recently passed Medicare Prescription Drug Plan made a lot of people happy. Unfortunately, most of them were pharmaceutical and insurance company executives.

While this plan will be a Godsend for some retirees, it will require some serious analysis and a lot of negotiations and cooperation from both sides of the Congressional aisle to shape it into something most retirees will embrace. It is a shame that there was virtually no attempt to attack one of the main contributors to the spiraling health care costs – prescription drugs. To the contrary, this bill makes it illegal for the Federal Government to take advantage of its huge buying power to drive down these costs, as the Veterans Administration has done so successfully. Also, we are disappointed that the incentives

that were given to corporations to continue prescription drug coverage for employees and retirees lacked the protections that we would have preferred. The Association will take a leadership role in convincing Congress to amend this bill.

We, and our fellow members of NRLN, are hard at work to develop a legislative program that will gain broader support in Washington. Further, we have created a legislative organization that will eventually cover every one of the 435 Congressional Districts and 100 Senatorial Offices in the country. If you want to be a part of this organization, please call, write or e-mail our office. Our Association will be responsible for 15 states with 141 Congressional Districts. That is a tall order and need people who will deliver our messages to their Representatives in Washington. This is especially critical in this year as the elections approach. All incumbents and challengers must know where seniors stand on the issues and their constituents are the only people who can deliver these important messages.

Our Association will be joining with a number of other large activist groups to call attention to the causes of our nation's

(Continued on page 5)

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Corporate Outsourcing Dangerous for Workers, Retirees and American Economy

By Richard S. Knapp

In the 1960s, Bethlehem Steel was a huge company of 300,000 employees. Today it is mostly gone, and what is left is bankrupt.

In 1968 POSCO Steel of Korea was just formed. POSCO is now one of the largest steel companies in the world. This type scenario is such a common factor in our memories we think little of it one-way or the other.

After all we were – and are – moving into the service economy. We aren't making products anymore – we are inventing and designing. Our product is intellectual property.

Now switch to summer of 2003 and an article in SPECTRUM, The Journal of the Institute of Electrical and Electronic Engineers, which talks about a large manufacturing city in northern China. This city has 11 good technical universities to support their manufacturing base. The article points out how excellent product design and engineering can be done there in China right next to the factories at a large monetary discount over prices in the United States.

In December 2003, an article in the business section of the Westchester JOURNAL NEWS talked about IBM shifting 4,500 programmer positions to India at a cost saving of up to two thirds. This is exporting the "engineering." At first thought, a retiree might say, "So what?" After all most retirees don't need or want another full-time job. Unfortunately, it may not be that easy.

Today most retirees' standard of living and life style is controlled by their retirement benefits, the performance of the stock and bond market, the cost of living, inflation, and the economic stability of the country. Just how does outsourcing affect these economic elements? Let's look simplistically at what happens.

Using IBM as an example, what happens when 4,500 jobs are shifted to India?

First, 4,500 engineers and programmers are left without a job. Second, unless we can create a new requirement for these engineers, this is work or jobs lost forever. Third, all companies competing with IBM are now forced to export jobs similar to the lost IBM jobs if they are to be able to lower their prices to match what IBM can do. That is how you maintain market share in a market economy.

Fourth, there is now a flock of engineers and programmers who are out of work and

have – or will – displace workers in lower-level jobs and render these lower-level employees unemployed. Fifth, the unemployed workers are no longer sending income tax dollars to a government running badly in the red and they are buying less, thus slowing the economy. Sixth, the wages that are now being paid to the Indian Engineers cause a cash flow out of the country to further exacerbate a serious balance of payments problem.

These six losses yield a mixed economic picture. In the short term, IBM results will look good. On the other hand, societal economic problems are exacerbated, unemployment increases. Supporters of outsourcing say new jobs will be developed from new technology. The book is open on this for the long term.

In each retiree's mind, there is a concern that their benefits maintain the life style achieved after retirement. The real question is, "Can the stock and bond markets, the funding of retirement pay, and the companies' funding of the retiree health care programs, afford to continue to support the lifestyle retirees expect and earned?"

A re-read of the IBM example leads one to see a questionable long-range picture. The country cannot export all the jobs that create domestic wealth and expect the dollar to maintain its value. Countries, like families, can't spend more than they make forever. It just does not work that way.

Outsourcing, in the near-term, may produce hopeful results but in the long run, they are not helpful at all. So what can we do?

This is not an easy question because we all are not privy to the information we need to combat outsourcing. We most often don't know what is going on. We can work with

what we do know, however.

First, buy "American." If you have a choice, always buy the product and services that are made or performed in the USA. You may pay more, but in the long run, you will be better off. Second, look for, study and be aware of legislation affecting outsourcing. Third, ask your legislators to strongly support legislation that inhibits outsourcing.

Fourth, whenever you are in a group, make your discussion partners aware of outsourcing and its implications. Fifth, write to your legislators and make them aware of outsourcing and how you feel about it. Sixth, when reviewing proxy statements, concentrate on the incentive programs and vote down programs that are too focused on short-term gains.

Outsourcing is a great producer of short-term corporate results. Incentive programs should have a strong long-term component. If Bethlehem Steel, and other companies, had a long-range, focused incentive plan they might have invested more in research and efficiency and POSCO would not be the leader in steel production.

Outsourcing is a huge, growing problem that we are facing. Only when retirees, union members, and workers unite and confront corporations and legislators can we expect a turn around.

Richard S. Knapp is a 1991 retiree from New York Telephone and an engineer living in Bronxville, NY. He retired from the company as Director of Corporate Services. Knapp joined the Board of the Association of BellTel Retirees in 2003 and is heading its examination into how the protection and preservation of American jobs today, can aid the economic preservation of our retirees.

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RETIREE FORUM

Q: Now that over 21,000 employees have retired from the company this past year, what has happened to the health of the Verizon pension plans?

A: Verizon will not divulge specifics of the 2003 pension fund status until the annual report is issued. That report will be available shortly and we will give you more information in the next newsletter. However, Verizon reported that the funds for those that retired as a result of the Voluntary Separation Program were paid to the retirees in 2004 (at the request of the participants). Therefore, we will not see the effects of that program in the 2003 annual report. That said, Verizon reports that 2003 was a good year for investments and that they do not anticipate that it will be necessary to make any changes to

their planned 2004 contributions to the pension fund as a result of the Voluntary Separation Program.

Q: Now that the President has signed the Medicare Prescription Drug Bill, will Verizon be dropping the company-sponsored Prescription Drug Plan for Medicare recipients?

A: Verizon has repeatedly said that they have no intention of canceling the prescription drug plan at this time. Further, they have also said that the incentives that the bill provides should make it easier for them to continue the coverage that they now provide. Most of the changes outlined in the legislation will not go into effect until 2006, and, in the meantime, Verizon will be reviewing the details of the legislation (all of

which is not available at press time), as will your association and its leadership. As information becomes available, Verizon will be looking at the current plans to determine the impact of the legislation and the best course of action for the company and for the employees and retirees. Regarding the aspects of the plan that go into effect in 2004 (Medicare Prescription Discount Card), since different retirees are provided differing options by the company, no general statement can be made. Verizon will be customizing their communications to retirees as soon as the information becomes available. However, at this point it does not appear that many retirees will be affected by the issuance of the Medicare Discount Card.

Strong Turnout Expected for Association Annual Membership Meeting in Sarasota, Florida

Florida will once again be the location as the Association of BellTel Retirees holds its 8th annual membership meeting on Wednesday, March 17, at the Holiday Inn-Marina, 7150 North Tamiami Trail in Sarasota. We encourage all current members and those retirees who might be new to the works of the Association of BellTel Retirees to join with us.

Registration and a continental breakfast will begin at 8:30 a.m., with the business portion of the meeting to start at 10 a.m. There is a \$5 registration fee per person. As of mid-January the demand for tickets has been overwhelming. More than 200 reservations have been made, some three months before the meeting.

The annual meeting gives members a chance to gather with other company retirees and old work friends, hear about our Association's progress, recent discussions with company leadership, future plans and our retiree legislation on Capitol Hill. Further, you will have an opportunity to voice your own concerns and introduce the Association to other issues that may be causing hardships to you or other retirees.

One of the hottest topics on the agenda is the new Medicare bill passed by Congress last fall. Also on the agenda are discussions on other healthcare and benefit issues, the

Association's 2003 proxy success, its 2004 proxy battle and an update on the Emergency Retiree Health Benefits Protection Act, which was written to help stop and overturn the loss of health benefits.

The Association currently has more than 8,000 members now living in Florida and many more snowbirds who spend considerable time during the winter in the Sunshine

State. Our 2002 annual membership meeting in Ft. Pierce, Florida was sold out. Hurry and send in your registration form, as seating is limited!

To reserve a seat, send in the attached registration form or, if you have any questions about the meeting or need directions, call our headquarters at (631) 367-3067 or e-mail us at association@belltelretirees.org

RSVP for Association of BellTel Retirees Annual Meeting Sarasota, Florida, Wednesday, March 17, 2004, at 8:30 a.m.

I will attend the meeting in Florida - # in party _____

Name _____

Address _____

Phone Number _____ E-Mail _____

Enclosed is a check for \$_____ (\$5 per person)

Other members/guests names and addresses in your party:

Please return this registration form and fee by March 10 to: Association of BellTel Retirees Inc; c/o Jack Sellen; P.O. Box 457; New Milford, N.J. 07646.

A VIEW FROM WASHINGTON

By Jim Norby
National Retirees Legislative Network
President

Nearly every day, we read in our local newspapers about another company that has seen fit to attack its retirees with more of what we've learned to call "take aways." It is also true that there remain more problems in this area than there are solutions. There does appear to be a heck of a lot more companies withdrawing or canceling benefits than ever before. All of this, my friends, is a very nasty trend.

I could detail over several pages examples of companies and public institutions breaking promises, and even contracts, with their former employees in order to increase financial gains on their ever-loving "balance sheets." To explain the obvious, they do this by cutting and eliminating promised benefits in every way the current law allows.

The NRLN is a loosely organized federation of retiree organizations and at-large members. We all support the notion that somehow, and someday, we must find a way to stop the onslaught of benefits and pension deterioration that is taking place all over America. It is being perpetrated against retirees who – by and large – are defenseless.

The old ERISA law passed in the 1970s to protect retirees has been amended and judiciously interpreted in such a way as to no longer be a protection but, in fact, has become a tool of corporate America. The mission of the NRLN, very simply, is to protect and enhance both pensions and benefits that retirees worked and paid for as active employees.

We are now starting our fourth year and have made significant inroads in gaining recognition and reputation as a "class act." We have earned this description by our actions in places where it counts most: Congress, newspapers and our members. Through some hard lessons over the last few years, we understand that progress will come from national legislation.

We are a grass roots – by and large voluntary – group of older and retired folks bound together by common objectives such as the protection and retention of the benefits that were promised us in retirement. That is all we do. We're non-partisan, and are neither pro-management nor pro-union.

In 2004, our plan includes the research, drafting, and introduction of a new bill in Congress. We think the passage of the Prescription Drug Amendment has offered

us an opportunity to capitalize on what many consider a major mistake by Congress. Our new bill, designed as an amendment to the Prescription Drug Act, would, hopefully, bring a number of new fresh ideas concerning health care for Medicare-eligible retirees.

Almost no one really likes the recently passed drug amendment as it was written and approved. Our work is now underway. It would offer tax incentives to employers and broad health care coverage to workers in retirement, including prescription drugs. We have concluded that we must offer some tax incentive to employers to garner their support in final passage of the legislation.

Another major effort is an expansion of our membership to include anyone interested in our cause who wants to join us in our commitment. We are offering individual membership to the NRLN in return for a contribution.

We need – and are – going to ask for a massive uprising of citizens to utilize their votes and voices to affect meaningful changes in Washington. Remember, for updated information on NRLN news and its membership, go to our website: www.NRLN.org

President's Message

(Continued from page 2)

spiraling healthcare costs. We must identify these causes and promote changes or no one will be able to afford the insurance costs, including our former employer.

Your board will also travel to Richmond, Va., on April 28 to raise our issues at the Verizon Annual Shareholders Meeting. We will present our proxy proposals which, are outlined in this newsletter, and will also make sure that the board of directors, officers and our fellow shareholders hear, first hand, how many of our members are struggling to get by financially.

We also need your help to help recruit new members for our Association. While our 95,000 members are a significant number, they represent less than half of the retirees of Verizon. This year we have welcomed increasing numbers of former GTE retirees and many of the recently retired people who took advantage of the Voluntary Separation Plan.

This is an area where you can help us as well. Please, forward the names and addresses of your retired, or soon-to-be retired, friends and associates to our office.

You can be sure we will make them feel welcome.

If you are on the Internet, please make sure that you subscribe to our free E-Bulletin service. You can send your e-mail address to our office or sign up yourself by going to our web site: www.belltelretirees.org and click on "Keep me Posted." This is the quickest and most efficient way for us to communicate with you on important matters. Together we can make a difference. We know because we already have!

MISSION STATEMENT

The Association of BellTel Retirees Inc. is dedicated to promote the protection and enhancement of the pensions and benefits for retirees and beneficiaries of the companies and subsidiaries that make up the Verizon Corporation.

The Association will convince the company to properly care for its thousands of dedicated retired employees.

The Association will conduct activities designed to educate elected federal, state and local representatives and promote the passage of legislation which will protect and guarantee, rather than invade, our hard-earned pension and benefits funds.

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Elect a Majority of Independent Directors

Association Board members John Sellen and Joe Ristuccia, and his wife, Ann, will be resubmitting a proxy resolution asking Verizon to amend the company bylaws to provide that the board shall nominate director candidates such that, if elected, a two-third majority of the board shall be independent.

According to the Council of Institutional Investors, an association of pension funds with total assets of more than \$1 trillion, a director is independent if – within the previous five years – he has not been employed by the company or an affiliate, a company-paid advisor or consultant, a significant supplier or customer, a non-profit that receives significant grants from the company, or a firm whose board includes an executive officer of the company.

A substantial majority of Verizon's directors should be truly independent, in our view, and appoint only independent directors to serve on the board's compensation and nominating committees. We ask that our Association membership and all shareholders vote for the proxy proposal, which we believe will improve decision-making by the Verizon Board.

This proxy proposal collected 20-plus

percent of the 2003 shareholders' votes. Four years ago, this proxy proposal first brought this issue of board composition into focus, and Verizon eliminated some board members who were not independent and also reduced the number of senior executives on its board from six to two.

However, at least six of Verizon's 12 board members have had recent ties with the company. Those six include one insider, Chairman and Chief Executive Officer Ivan Seidenberg. A second insider, former Chairman and co-CEO Charles Lee, retired from the board at year-end 2003.

Other board members ties are: Robert D. Storey, who is a partner in a firm that provides legal services to Verizon; Richard L. Carrion, CEO of a bank that is a co-investor of Verizon in Puerto Rico Telephone, of which Verizon owns a majority interest; Joseph Neubauer, CEO of Aramark, where Verizon President Lawrence Babbio determined his compensation until February 2003 as a member of the board compensation committee; Sandra O. Moose, senior vice president of a firm that received \$3.5 million in consulting fees from Verizon; and Hugh B. Price, former CEO (until 2003) of a nonprofit that has received millions in grants from Verizon

and, included, until recently, Verizon's CEO on its board.

The Corporate Library, an independent and widely respected corporate governance research firm, rated Verizon's board one of the "ten worst" in its 2003 study of 1,700 companies.

According to the Corporate Library, while Verizon's Board "is no longer the most interlocked and interconnected board in our database, the independence of several directors remain in question. And the contracts and compensation policy for both Seidenberg and former co-CEO Lee contain virtually every example of excess and lack of control that could be found at a US corporation, as well as a few that can be found nowhere else," the report said.

Although Verizon claims a majority of its board is independent, under its own Corporate Governance Guidelines (which track the NYSE's new minimum listing standard), the proponents of this proposal believe a stricter standard should apply, and that outside directors are not "independent" when they have significant financial interests different from Verizon shareholders generally.

Please vote FOR this resolution named "Board Composition" on the ballot.

Shareholder Approval Regarding Executive Pension Benefits

Association Board member Joanne Jacobsen and the Association of BellTel Retirees will be submitting a proxy proposal requiring shareholder approval of any extraordinary benefits for senior executives under Verizon's non-qualified Income Deferral Plan (IDP), or any other supplemental executive retirement plan ("SERP").

Companies establish SERPs to provide retirement benefits above IRS limitations on pension benefits that may be paid from a tax-qualified pension plan. Verizon's SERP, the Verizon Income Deferral Plan, receives extra contributions on behalf of certain senior executives that far exceed the benefit formulas that apply either to employees under the Company's regular pension plan, or even to contributions made for other senior managers eligible to participate in the SERP.

Verizon's five top executive officers receive SERP contributions equal to 32 percent of their combined base salary plus bonus (for every dollar above \$200,000) for the first 20 years they are participating in the plan. After 20 years, the contribution rate is reduced to seven percent.

As a result, the top five executive officers are guaranteed SERP contributions nearly as large as their annual base salary. For example, in 2002, former Chairman Charles Lee received a nearly \$1.8 million contribution, which amounted to 90 percent of just his base salary, bringing his SERP balance to \$27.3 million. CEO Ivan Seidenberg garnered \$1.4 million, which was 92 percent of just his base salary, upping his SERP balance to \$10.8 million.

In comparison, management employees in the regular pension plan receive only four to seven percent of eligible pay, while other

senior managers eligible to participate in the SERP get matching contributions on their own deposits up to a maximum of six percent of eligible deferred compensation.

The sponsors of this proposal believe that because these lucrative SERP contributions are guaranteed and not performance-based compensation they do not ensure that the long-term interests of shareholders are being met. This proposal will encourage more reasonable SERP formulas for future agreements with top senior executives.

Because it is not always practical to obtain prior shareholder approval, the Company would have the option of seeking approval after the material terms of the executive's employment agreement are agreed upon.

Please vote FOR this resolution to put a cap on these awards for certain upper-level management.

**REMINDER: Have you responded to the JANUARY ANNUAL APPEAL?
We need your financial support. PLEASE HELP!**

Verizon Challenging Association Board Members' Proxy Proposals

(Continued from page 1)

lates only cash settlement payments in the severance agreement calculation. The proponents believe that the present value of any other payments, perks, consulting fees or other unearned and unvested equity grants should all be included in determining the value of the severance package.

The sponsors of this proxy proposal feel Verizon's reluctance to honor the will and vote of its shareholders made the submission of a binding bylaw amendment necessary.

A perfect example is that the company's CEO Ivan Seidenberg and former Chairman Charles Lee post-merger agreements entitled them to nearly the same compensation whether they decided to stay or leave.

According to the Company's 2002 proxy, if Seidenberg had been terminated or "constructively discharged" under a broad "change of control" definition (which could be that another entity acquires as little as 20 percent of the company's voting stock) he would receive most of his pay package for a period of three years – a payout in excess of \$50 million out of the corporate treasury at that time.

This package is a direct contradiction to the way the company has dealt with its retirees who helped build Verizon into the successful corporation it is today. Retirees – many with 30 or more years of loyal service – have not received a pension cost-of-living adjustment in more than a decade. Inflation has been steadily eroding the purchasing power of their pensions, while retirees have seen their other costs, most notably healthcare, continue to skyrocket.

Shareholder consent, we believe, may help to insure that the long-term interests of shareholders are taken into account. Knowledge that shareholders will vote on these agreements may encourage restraint and strengthen the hand of the Board's compensation committee in designing severance packages.

Stockholder Proposal on Proxy Access For Director Nominations

Association President and Executive Director C. William Jones and Association Board member John A. Parente have submitted a proposal requesting that Verizon include in its proxy materials the name of any qualified nominee for the company's board of directors who has been nominated by a qualified shareholder.

A "qualified shareholder" is an individual or group of shareholders holding at least 5 percent of the company's outstanding common stock for not less than one year. In addition, a "qualified nominee" is an individual who consents to be nominated and is independent of the company and of the

Qualified Shareholder under proposed SEC Rule 14a-11.

This past fall, the SEC proposed Rule 14a-11, which may require many public companies to include in their proxy materials a limited number of board of director candidates, who have been nominated by shareholders.

The SEC proposed this rule, it said, because shareholders who are "dissatisfied with the leadership of a company generally must undertake a proxy contest, along with its related expenses, to put nominees before the security holders for a vote. A board's nominees, on the other hand, do not bear the cost of their candidates, which are funded out of corporate assets."

The proxy proponents view shareholder access to proxy material as an important governance reform. Verizon does not give its shareholders a choice among candidates competing for board elections, which makes it difficult for shareholders to display their satisfaction/dissatisfaction with the board's performance.

Verizon's board has been rated one of the "ten worst," among 1,700 public companies studied last year by the Corporate Library, an independent corporate governance research firm.

If the SEC's Rule is adopted, it would require Verizon to include shareholder-nominated candidates in its proxy materials only if the shareholders first adopt a resolution – which this proxy proposal would provide for – that is sponsored by holders of one percent of the company's stock. The Association strongly supports this reform and has filed extensive comments at the SEC in support of this reform, which is currently pending decision. (Those comments and others can be viewed on the SEC's website at <http://www.sec.gov/rules/proposed/s71903.s.html>).

But since the proponents of this resolution do not own one percent of Verizon's stock, adoption of this proposal would not automatically lead to the inclusion of

candidates nominated by 5 percent of Verizon shareholders.

We believe, nevertheless, that the principle of shareholder access is important and we ask Verizon to adopt this policy independently of whatever the SEC may require.

If one or both of these proposals are allowed by the SEC to be included on the ballot, we encourage you to vote FOR both proposals.



UNITED, TO PROTECT OUR FUTURE

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RETIREE SPOTLIGHT: New to BellTel Board But Not Retiree & Worker Activism

Joanne Jacobsen loved working for Verizon. She loved it so much, the 53-year-old would still be working for the only company she had known her whole life. That is, if it hadn't laid her off in January 2002.

"In my opinion – or maybe it was just coincidence – the five of us (who were laid off) were over 40, and two of us were over 50," she said. Ms. Jacobsen served the company for 33 years.

She said that the five of them received their notice just two months after a high-ranking executive had asked them when they started with the company and how much money they were earning.

"I question whether it was strictly a business decision or was it an age issue?" she said.

Regardless, she was glad that when she was laid off she was pension eligible.

Even though Ms. Jacobsen retired just a few years ago and is considered to be relatively new to the retirement community, that doesn't mean she's new to retiree issues and concerns.

As a matter of fact, she has been "fighting the fight" for retiree issues – most notably defined benefits vs. cash-balance plan issues – since 1997. And the road leading her to the Association began with this fight.

Ms. Jacobsen, who has lived in Danvers, Mass., her entire life, was one of the organizers of the Bell Atlantic Employee Coalition for Retirement Security, which fought Verizon when it attempted to convert employees' traditional retirement plan into cash-balance pension plans in 1997.

The coalition joined forces with the Pension Rights Center (PRC) in Washington, D.C., and was ultimately successful in restoring many employees' defined benefits pensions, and succeeded in winning alternative cash balance calculation options for others. Through their joint venture with the PRC, that is how Ms. Jacobsen bumped into leaders of the Association, and she decided to join as an Association member in 1999 – when she was still an active Verizon employee!

"I believed in their mission and wanted to become a member while I was still an active employee," she said, adding that the Association's push for federal legislation, such as HR1322, is "the ultimate tool in stabilizing people's benefits in retirement funding."

But now, as a new Association board member, Ms. Jacobsen said she helps to bring a fresh perspective to the table.

"As a retiree, I would be more of a representative of people who retired at an earlier age because corporations are providing incentives to people to retire younger," she said. "As a member of the 'boomer generation,' our issues need to be addressed not only in the future but now, because they will have an affect on the economy as well as individuals. If organized, the boomer generation can



Ms. Jacobsen was a retiree activist even before completing her 33 years at the company

swing legislation and elections."

Ms. Jacobsen said she was attracted to Verizon – Ma Bell at the time – as a 19-year-old because she heard what a good job it was.

"We knew so many people who worked for the company and it was the job to have," she said. "It didn't matter whether it was a 'big' job or a 'small' job, it was a good job."

So she began with the telephone company in 1970 as a service representative in the business office in Lawrence, Mass., where she handled billing inquiries from A to Z.

"I was on the firing line," she said with a chuckle.

She then worked in several of the company's business offices until she became a service order expeditor in northern Massachusetts in the mid-1980s, where she helped coordinate and expedite the completion of orders that were held because of a lack of facilities.

She then moved to the NYNEX Yellow Pages in Lynn, Mass., where she was a manager of training and education for the entire Northeast.

By the time she took a job in marketing and national sales for the Yellow Pages 10 years later, the company had changed its name to Bell Atlantic. She was in charge of audio texts and market studies for national sales to major corporations such as Ford, Sears and IBM. And that's where she stayed until she was laid off in 2002.

But the toughest thing she's found as a retiree is the thing that she says she has heard from many other retirees.

"I miss the people I worked with," she said.

However, as the years went by during her career, she saw the company morph into something she really didn't like.

"It was a family and we hope it will continue to be, but, unfortunately, it looks like the company doesn't want to foster that with their employees anymore," she said.

And she feels that may eventually hurt the company because "it was the employees that made the company great."

"Employees felt a loyalty to the company and it's customers," she said. "Today, the company has lost much of that loyalty and the cohesiveness of the company as family."

As a volunteer Association board member, Ms. Jacobsen says that family loyalty must carry over toward helping all retirees.

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Former AT&T Chair Brown Dies

Charles L. Brown, former chairman of American Telephone & Telegraph Company, died in November in Richmond, Va., following a lengthy illness. He was 82 and had lived in Princeton, N.J., since 1975.

Before retiring in August 1986, Mr. Brown had been chairman and CEO of the former AT&T – one of the largest corporations in U.S. history – for seven of his 40 years with the company. In 1982, Mr. Brown made the decision to divest all of the Bell Telephone Companies as a means of settling antitrust litigation with the Federal government, which produced the largest corporate reorganization in history. He also led AT&T's initial efforts to establish business units and partnerships in Europe and Asia.

The Jan. 1, 1984, "divestiture" of AT&T unleashed a wave of deregulation and market competition allowing customers to choose their telephone equipment and services. At the time of the breakup, AT&T had some 975,000 employees. The company formally changed its name to AT&T Corp. in 1994.

Until the breakup, AT&T had consisted of the Bell System's vertically integrated telephone research and equipment-manufactur-

ing units, its local telephone operating companies – which provided most of the nation's local telephone service – as well as its long-distance operations and other services.

The divestiture led to today's companies of BellSouth, Qwest, SBC and Verizon. In 1996, AT&T divested its equipment-manufacturing operations into Lucent Technologies, which spun off Avaya Inc. and Agere Systems Inc.

Brown was born in Richmond on Aug. 23, 1921. He graduated from the University of Virginia in 1943 with a bachelor's degree in electrical engineering. He then entered the U.S. Navy, and served in the Pacific during World War II aboard the battleship U.S.S. Mississippi. He was discharged in 1946 as a lieutenant.

Back in the states, he joined the AT&T Long Lines department in Hartford, Conn., and progressed rapidly, becoming vice president and general manager of Illinois Bell in 1963 and was elected CEO six years later. In 1974, he became executive vice president of AT&T, vice chairman of the board and chief financial officer in 1976, president one year later, and chairman of the board in 1979.



Assistant Attorney General William Baxter and AT&T Chairman and CEO Charles L. Brown shake hands after announcing the agreement to break up the Bell System in settlement of an anti-trust suit.

Brown also served on the board of directors of many major American corporations, including E.I. du Pont de Nemours & Co., Metropolitan Life, Delta Airlines, Chemical Bank, General Foods, Hart Schaffner & Marx, Ryder Systems, Public Broadcasting System and the Institute for Advanced Study.

He was a trustee of the Aspen Institute and Presbyterian Hospital in New York City, and chairman of the board of the Colonial Williamsburg Foundation.

Association, NRLN Mourns Loss of Counsel

Michael S. Gordon, 70, legal counsel to the Association of BellTel Retirees and the National Retiree Legislative Network died Feb. 1 in Washington, D.C. following a bout with pneumonia.

As a former government lawyer specializing in pension and labor law, Gordon brought to the Association and other retiree advocacy organizations his unique legal skill, understanding and knowledge of Capitol Hill and the intricacies of the Employee Retirement Income Security Act (ERISA), a pension reform bill he helped write in the 1970's.

Mr. Gordon performed legal work for the U.S. Labor Department from 1957 to 1970. Until the mid-1970s, he was counsel to the US Senate Labor Committee, where he is credited with a major role in writing the ERISA laws that govern and protect retiree pensions to this day.

Well respected on Capitol Hill -- even decades after his departure from government service -- Gordon was on a first name basis with many Members of Congress who sought out his counsel on issues related to retiree concerns. He was also frequently invited to testify in Congressional hearings

on such subjects.

He was also a major contributor to the drafting of H.R. 1322, the Emergency Retiree Health Benefits Protection Act.

He was former board chairman of the Pension Rights Center, a consumer advocacy group, and former advisory board chairman of the Bureau of National Affairs Inc.'s

Pension & Benefits Reporter.

"Tens of millions of retirees have unknowingly benefited because of the efforts and dedication of Michael Gordon," Association President C. William Jones said. "Our Association and all of its retirees will miss the significant contributions of this champion and defender of worker and retiree rights."

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Pioneer & Retiree News and Notes

Congratulations to Association Board Member and Vice President Information Systems James Casey who was recently elected president of the Blue Ridge Council of the Old Dominion Chapter of the Pioneer Organization. The Blue Ridge Council covers northern and western Virginia.

Casey is a retiree from the old C&P Company and has served for six years on the Association's board. He was chairman of the all-volunteer board in 2002-2003.

Retirees from the Syracuse, NY area organized a "Toy Drive" to benefit needy community children. The group was able to



Association Board Member Jim Casey with members of the Blue Ridge Council of the Old Dominion Chapter of the Pioneer Organization at a recent meeting.

fill a Ryder truck half way with toys meant to brighten the holiday season for some of the less fortunate families in their area.

Syracuse Pioneer group also held their annual Christmas lunch, attended by more than 70 retirees, while Buffalo, NY Pioneers had some 300 attendees at their annual holiday luncheon.

Association Chairman Jack Brennan was invited to meet with a group of some 80 GTE retirees in Stamford, CT, at a holiday gathering of retirees. Brennan had the opportunity to introduce many of the attendees, to the efforts of the Association and its advocacy.

Do You Have Pioneer or Retiree News To Share?

If you would like to tell others about major gatherings and events in your area. Send us detailed information of the gathering's purpose, location and contact information (name, number, e-mail, mailing address) for consideration to be listed on a calendar of retiree events. While we cannot guarantee publication, we will consider every submission.

Verizon Retiree Help Wanted!

Our office in Cold Spring Harbor on Long Island is looking for a part-time office assistant with Excel and Word computer knowledge, writing skills and flexible hours. Please fax your resume to (631) 367-1190, or call (631) 367-3067

Member Mailbag



Dear Association,

In response to the Winter 2003-04 article "Beware Dialing Some Area Codes," the 809 area code, you will recall used to cover the entire Caribbean, now serves only the Dominican Republic, NOT the British Virgin Islands.

You fell for the old scam e-mail that has been floating around in various forms for many years. I saw that one go by in 1993 when I was an instructor at Bellcore, and it wasn't true then. Of course, back then, it was more anonymous and quoted the 809 as covering the Bahamas.

In the last couple of years I have had it circulated to me with the names and titles of various people at AT&T, people who I have tried in vain to contact for confirmation. It was even circulated by Alcatel's security department, and I was able to confirm that they had never contacted the originator for confirmation, they had just passed it on. (I was an Alcatel employee at the time.)

Someone at AT&T should know that the 809 is not the BVI and the BellTel Retiree should know that much too.

Maybe there is some truth in the scam warning, I am not an expert on that, but I do know that the information as published, and as circulated in the e-mails, is wrong enough to make the warning suspicious.

James F. Longley, Allen, TX
NY TELE/NYNEX 1966-1995

EDITORS NOTE:

Dear Jim,

Thanks for your e-mail regarding the 809 hoax.

One of our board members received a call asking him to call back a number in 809. He did not but received an e-mail the next week describing the scam.

We did, in fact, check the AT&T Fraud website before writing the article and confirmed that the scam is real but a couple of things that were in the e-mail warning received by an Association board member were inaccurate. Unfortunately, they found their way into our article. The first was that 809 was an area code for the BVI, which it is not. The other was that calls to the 809 number could be charged \$2,425 per minute. The AT&T website confirms that high per minute charges may be charged but not usually of the magnitude reported in our article.

You are correct that the source that we checked did show enough misinformation that we should have been suspicious. That was an error in judgment.

Thanks you for bringing this to our attention. We will be more vigilant in the future.

Dear Association,

Thank you for your informative Newsletter, the good work you are doing is greatly appreciated.

I retired in 1969, the last 13 years as

supervisor at Kennedy Airport, and loved every minute of it. Things were different in those days. I worked for New York Telephone. I am now 95 plus in age, have had macular degeneration for over two years. I also have to use a cane and my old bones make it difficult to get around.

I have been wondering if some of the retirees who worked in any of the years up to 1969 are still alive. I wish I could talk with them as I enjoy hearing and talking about those days in any part of the Telephone System.

Lewis Verbouwens
Warren, Conn.

EDITOR'S NOTE:

If you wish to contact Mr. Verbouwens, call the Association headquarters at (631) 367-3067.

Dear Editor,

Regarding the "Retirees Spotlight" ("Retiree Has Been Instrumental Since Day One," Winter 2003-04). There are coincidences that occur throughout life.

I was on loan to New York Telephone in 1969 as a traffic engineer from C&P. My assignment was to compute the potential capacity of the then-retired Penn Six panel office which was still in place to see if relief would be feasible by reactivating that office, I do not know if it ever happened or not, but at that time, there were not many who understood panel equipment, much less worked on it.

R.O Taylor, Bell Atlantic '85

2003 FINICAL REPORT

Reporting on financials can be a very dry and uninteresting subject, for some. So we thought we'd create a "picture" for you of some of what goes into the numbers.

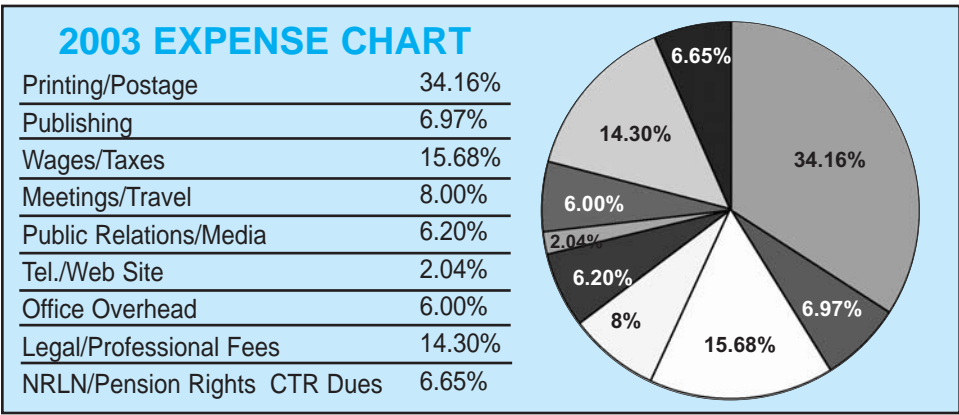
First and foremost is our office staff. For anyone who has called our office for information or assistance with a problem, you know that these people are very helpful in trying to deal with your individual questions or problems. It is not a large staff, but one that consists of our Office Manager and one other part-time assistant. They support our President & Executive Director and your board of directors from a small, but well run office in Cold Spring Harbor, a kind of Old World style town. These two people answer all calls from hundreds of members, any of the 95,000 people who receive our newsletter. They respect every caller, whether or not they are contributors, and follow through to get answers.

In addition, we also employ the part-time help of a data entry assistant, an executive assistant and a bookkeeper. There are many other functions they perform -- interacting with professional contacts, coordinating member mailings with the post office and printers, updating databases, providing information to 16 volunteer board members and assistants, ordering supplies, etc. The point is -- they are our voice on the other end of the phone or computer to our members and they work hard to be responsive and cost efficient. And so do your board members, who are all volunteers. They put in many, many hours to help reach our goals.

With a very big thank you to all, here is our 2003 report on the highlights of revenue and expense.

REVENUES:

- Total revenues of \$668,703 reflect a 13% increase, all of which is due to increased membership contributions. While total contributions increased 15%, the average contribution of \$22.66 was slightly lower than last year. Total membership reflected only a 0.6% increase.
- 30% of the membership are now contributing members. We are hopeful of increasing that percentage, and ask that you do what you can to encourage your fellow retirees to help pay for the newsletter and other retiree advocacy services. We need everyone's support, at whatever level they can afford.



EXPENSES:

- Total expense for the year was \$633,477 -- a 2% increase over 2002.
- Our total printing and mailing costs represent 34% of our total expense, and a 14% increase year to year. Included in these numbers are the costs of special mailings to shareowners for support of our proxy proposals. The proxy proposal victories had an added benefit of garnering media coverage for the Association's crusade for retiree economic justice, something we never could have afforded with direct advertising.
- Wages and taxes (15.7% of total) reflect the addition of one part-time staff member with a legislative background, and increased hours of work required of the office staff.
- Meeting and travel expense represents 8% of our total expense. Included are the increased expenses associated with adding three new board members; the cost of our 2003 annual membership meeting attended by some 200 retirees in Herndon, Virginia and the cost of our first strategic planning conference.
- PR/Media/Promotions - In 2003, we made a strategic decision to increase the funds allocated for public relations and media coverage. Getting the word out in the press about the plight of our retirees and what we are fighting for is vital, especially considering the media machine and Verizon's large budget. This carefully strategized effort helped gain news stories about the Association and its efforts in major news outlets like Business Week, Forbes, Wall Street Journal, Dow Jones, New York Times, Washington Post, Miami Herald, National Public Radio and hundreds of local newspaper outlets and radio stations throughout the nation.
- Telephone, web site and office overhead expenses were held to a minimum. Office overhead included rent, insurance, supplies and bank fees (\$11,897). Our use of the Lock Box process allows most

contributions to go directly to the bank for processing, affording us security and reduced payroll hours on our own staff.

- The bulk of the monies spent for Professional services relate to legal fees, for both litigation and proxy efforts. Also included are accounting firm support and special reports in connection with contacting shareowners.
- In 2003, our dues to the National Retiree Legislative Network doubled. This increase reflects the overall effort to unite retirees throughout the country, and for support of legislative and lobbying efforts on behalf of all of us.

Our Net Income for 2003 was \$35,226 and our corporate fund balance as of December 31, 2003 was 367,856 excluding our litigation escrow fund.

Thank you for your financial support, and please keep in contact with us. Your calls and letters of support are always welcome, as are your questions.

More Than 21,000 Employees Accept Verizon Buyout

Our retiree network has just gotten larger!

When Verizon offered a voluntary severance package last fall, Verizon expected to lose more than 12,000 employees. Instead, the company was shocked when 21,260 employees -- including some 5,600 union and 16,000 non-union workers -- accepted the deal.

Back in late September, Verizon offered 152,000 employees a package that included two weeks pay for each year of employment (up to 35 weeks) and a \$15,000 to \$30,000 bonus.

However, the buyout was not offered to Verizon Wireless' 40,000 workers.

Those who accepted the deal ended their employment on Nov. 21.



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