Association of BellTel Retirees Inc.

Post Office Box 33
Cold Spring Harbor, New York 11724

UNITED, TO PROTECT OUR FUTURE

Phone: (631) 367-3067
Fax: (631) 367-1190
Hotline: 1-800-261-9222

Web Site: www.belltelretirees.org
E-mail: association@belltelretirees.org

March 2017

THIS LETTER IS INTENDED FOR VERIZON SHAREOWNERS ONLY

This letter is for our members who own Verizon stock. If you do not own Verizon stock, please pass this on to anyone you know who owns Verizon stock. Association Chairman Jack Cohen introduced the "clawback" proposal (Item 9) and the Association introduced the retirement saving proposal (Item 11), both described below. If you have not received your Verizon proxy info by April 8th, contact your broker or call Computershare Trust Company at 1-800-631-2355. PLEASE DO NOT RETURN PROXY CARDS to the Association of BellTel Retirees.

DEAR FELLOW ASSOCIATION MEMBER:

We urge you to vote FOR Item 9 and FOR Item 11 on Verizon's proxy card for the upcoming Annual Meeting, scheduled to be held May 4th in Irving, Texas:

Item 9: Vote FOR the "Executive Compensation Clawback Policy"

As the *New York Times* reported in Sunday's Business section, "a group of 205,000 former telecom employees known as the Association of BellTel Retirees . . . wants the company to expand its clawback policy." (*Want Change? Shareholders Have a Tool for That*, by Gretchen Morgenson, March 24, 2017).

Several years ago, Verizon's Board adopted a policy that authorized the company to "cancel certain incentive payments received by an executive who has engaged in financial misconduct" (2016 Proxy, page 46). After Association Chairman Jack Cohen submitted this shareholder proposal to strengthen the clawback policy, Verizon posted a new policy that still limits recoveries to executives who engage in "willful misconduct" that causes significant financial or reputational harm to the company.

However, Verizon's clawback policy remains far too narrow. The term "willful misconduct" is ill-defined and may limit recoveries to egregious cases only, according to Association attorney Con Hitchcock, who is quoted in the *New York Times* article. "Verizon's policy should also cover wrongdoing that arose because of negligence or a supervisory failure," he stated.

Recent high-profile regulatory fines paid by Verizon underscore the need for a stronger policy. In 2015 Verizon agreed to pay $90 million to settle a Federal Communications Commission investigation alleging that Verizon placed unauthorized third-party charges on its customers' mobile phone bills – an unlawful practice called "cramming."

Did Verizon's Board scrutinize the actions of executives responsible for control failures to see if any incentive compensation should be recouped? If not, why not? As Con Hitchcock told the *Times*: "If executives' behavior costs the company money or damages its reputation, shouldn't there be consequences?"

Harry Truman's motto was the "the buck stops here." Too often the 21st century CEO version of accountability is "the bucks stay here." Senior executives should be on notice that their own supposedly "performance-based" compensation is at risk. Accountability influences behavior. And a stronger clawback policy will deter Verizon executives from taking undue risks to boost short-term profitability.

GCC/IBT 372-C

Item 11: Vote FOR a "Limit on Matching Contributions" to Senior Executive Saving Plans

Verizon continues to offer senior executive officers far more generous retirement saving benefits than rank-and-file managers and other employees receive under the tax-qualified saving plans. We urge you to support this shareholder proposal, submitted by the Association of BellTel Retirees, which will cap the company matching contribution on savings by senior executives.

For example, in 2016 CEO Lowell McAdam received a $21,200 Company contribution to his Management Savings Plan account – a match equal to 6% of his tax-eligible base salary. In addition, McAdam received $424,000 in Company matching contributions to his Executive Deferral Plan account, plus $100,855 in "above-market earnings" on his nonqualified plan assets. (See 2017 Proxy, Compensation Tables, page 49-50, notes 3 and 4).

This $545,000 in total Company matching contributions and "above-market earnings" received by McAdam *for just one year* dwarfed the maximum Company contribution available to managers or other employees participating only in the Savings Plan. Because the IRS limits total annual contributions to tax-qualified plans, the maximum Company contribution to the Savings Plan was $21,200 in 2016 (the amount received by McAdam and most other senior executive officers). (2017 Proxy, table, page 50).

For McAdam, this is all on top of nearly $2.8 million in accumulated qualified and nonqualified traditional (defined benefit) pension benefits. (2017 Proxy, page 55).

Giving senior executives retirement saving contributions as much as *20 times larger* than the maximum contribution available to rank-and-file employees who contribute the maximum to the Savings Plan is particularly unfair at a company that first froze its traditional pension plans and then transferred 41,000 retirees to an insurance company, stripping them of their federal pension insurance in the process. Such gross disparities between retirement benefits offered to senior executives and other employees create potential morale problems and reputational risk, which can adversely affect shareholder value.

We also urge you to use your "say on pay" to **vote AGAINST Item 3: "Advisory Vote to Approve Executive Compensation."** A No Vote will send a message that limiting senior executive retirement saving benefits and requiring shareholder approval of windfall severance benefits (a proposal by Jack Cohen in prior years that fell short of a majority vote) are reforms needed to better align executive pay with shareholder interests.

Please **Vote Your Proxy Card <u>FOR Item 9</u> and <u>FOR Item 11</u>**.

Sincerely yours,

John M. Brennan
President & Executive Director

The cost of this letter is being borne entirely by the Association of BellTel Retirees Inc. This is not a solicitation. Please <u>do not</u> send your proxy card to the Association.