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NEW YORK BUSINESS

Rising up: Ex-Verizon workers, corporate retirees revolt against executive pay as discontent grows

AARON ELSTEIN | May 12, 2021



Former telephone worker and board member of the Association of BellTel Retirees Tommy Steed.
Buck Ennis

On Feb. 27, 1975, a short circuit ignited the plastic-coated cables at a New York Telephone switching center in the East Village, sparking a towering inferno over Second Avenue.

After firefighters spent 28 hours putting out the blaze, telephone worker Tommy Steed was summoned from the Bronx to restore phone service to 170,000 New Yorkers. He was part of a crew of eight that worked 12-hour shifts 25 feet underground for 42 consecutive days.

"We felt duty-bound to restore service as quickly as possible," Steed said.

Today, the 72-year-old Steed raises bees and sells honey at the Beacon, N.Y., green market. But he retains a powerful bond with his employer of 32 years, now called Verizon Communications. It is the city's second-largest public company. Steed sits on the board of one of the most successful groups of activist investors in the country, the Association of BellTel Retirees.

For more than 20 years, the network of 130,000 former employees and current shareholders has been nudging Verizon in directions management didn't want to go, including trimming their golden parachutes and gaining a say in who serves on the board of directors. The retirees did it by winning support for their proposals from a majority of Verizon's institutional investors.

The 70-somethings' rocking-chair reconnaissance continued at this year's annual meeting, held May 13, when Steed introduced a resolution calling on Verizon to claw back pay from executives found to have engaged in misconduct. Under the current rules, pay is yanked only if "willful misconduct" is discovered.

"We know what's good for the company," Steed said, "because we built it."

Steed's resolution was described as a "reasonable request" and won the support of Institutional Shareholder Services, a powerful consulting firm that recommends how investors should vote in corporate elections.

ISS also endorsed a proposal introduced by the chairman of the retiree group: Jack Cohen, 77, a former office manager. The proposal seeks to limit the size of golden parachutes, or exit packages, to 2.99 times the departed's base salary and bonus. If adopted the measure would curtail the \$39 million that Chief Executive Hans Vestberg stands to collect if terminated without cause—which would equate to seven times his salary and short-term bonus.

Verizon didn't much care for its former workers' ideas.

If Steed's motion is approved, the company warned, it "could discourage senior executives from exercising the business judgment necessary to deliver shareholder value." Cohen's "could have an adverse effect on Verizon's ability to recruit and retain" executives, the company said. Verizon also accused ISS of "flawed analyses and an incomplete review of the pertinent facts."



Verizon workers at a picket line. *Buck Ennis*

All in a day's work

Retired corporate America has taken note of the accomplishments of the Association of BellTel Retirees.

Ted Mazzella, an 82-year-old former telecommunications employee in Manhattan, said he's trying to build up the Telco Retirees Association, a group of about 900 alumni from the Baby Bells created after the 1984 breakup of AT&T. AT&T's stock price has fallen by about 20% since the start of last year, after the company wrote down the value of DirecTV and other assets by \$15.5 billion.

"Senior management is failing shareholders and retirees," Mazzella said. "We're thinking of a 2022 shareholder proposal now."

Lawyer Edward Stone, a retiree advocate, is advising former employees at DuPont and General Electric who are concerned their benefits will be cut. He has launched a nonprofit, Retirees for Justice, whose mission is pension rights. Specifically, he's battling companies that offload their pension obligations by transferring them to insurance companies. After such transfers occur, the pensions are transformed into annuities; although the monthly payouts might be the same, annuitants don't enjoy the same investor protections under federal law as pension recipients.

"Retirees mostly have no idea what's going on," Stone said. "We're looking to get legislation at the state and federal level to protect them."

The BellTel retiree group got started in 1995, when seven retirees kicked in \$350 each and started inviting former telephone company workers to lunch. Verizon denied the group access to

any retiree list. The original members were from the management side; today the group is 50% unionized rank and file. Both sides are interested in Verizon honoring its pension commitments.

"The combination of managerial talent and organizing experience makes BellTel unique," said Con Hitchcock, a lawyer who drafts shareholder resolutions for the group.



Verizon technician. *Buck Ennis*

Gaining ground

In 2003 the retirees won their first fight, one that required investors' approval for large golden parachutes. In 2007 the group secured the right to hold an annual vote on Verizon executives' pay, a vote Congress later required for all public companies. The group's 2013 proposal for shareholders to nominate board members, instead of just management, carried the day.

The retirees say they wish to maintain a cordial relationship with Verizon. "We're not in the boxing ring," Cohen said. A company spokeswoman didn't reply to a request for comment on the relationship.

The retirees' focus on executive compensation seems especially resonant when more shareholders than ever are rejecting outsize pay packages. This month a majority of shareholders at AT&T and General Electric rejected those companies' pay plans. They've also voted down pay at IBM, Starbucks and the Walgreens Boots Alliance.

Rosanna Weaver, program manager at shareholder advocacy group As You Sow, said pension funds and other institutional investors are taking a harder look at pay in light of the inequalities exposed by the Covid-19 pandemic.

"In the context of 2020, when a board says it wouldn't be 'fair' if an executive didn't get a bonus, we have to take a hard look at that," Weaver said.

Steed credits his knowledge of investor activism and corporate governance to Verizon, which paid for his master's degree in public administration.

"The corporation gave us everything," he said. "I could afford a single-family home and got a free education. Talk about the American dream."

He added that inspiration for his shareholder resolution about clawing back undeserved pay was drawn from a book all telephone company workers had to read: The Codes We Work By. In the presence of their supervisors, workers would sign and date a document declaring they had read the book. It stated any misconduct would result in dismissal.

"The board should apply the same rules and regulations required for employees to themselves," Steed said. "They should be held accountable for their actions."

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