

**DO I TAKE THE
“LUMP & JUMP”
OR
THE PENSION?**

**Navigating the 2018
Verizon Retirement
Buyout**

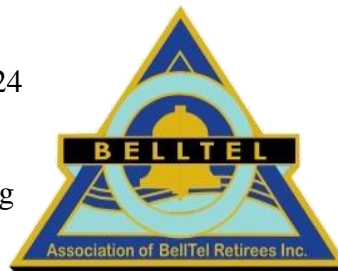
**By Jack Cohen, Chairman
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Do I Take the “Lump & Jump” or the Pension?: Navigating the 2018 Verizon Retirement Buyout

Once the agonizing decision is made to retire, the second decision that can cause a brain hernia is *whether to take a buy-out or a pension.*

There is no set formula for making this choice, but since Verizon has set a deadline for many thousands of its loyal employees to take action, this topic is critical for many in our community



We hope you read this piece that shares some insight into the issue.

The action you finally select depends so much on the circumstances of the individual. If I know my doctors tell me that I am going to be dead within the next six months, why do I need a pension? If I have been fortunate enough and judicious in my planning over the last thirty years to have arranged for several different secure sources of retirement income, that would continue for my descendants after I die, perhaps a pension is a better option.

Employers Prefer You Take the Buyout

An employer will love for you to take a buy-out. It eliminates a liability and an ongoing cost. A buyout dollar amount prepared by high-priced actuaries showing “present value” numbers is much more advantageous to an employer considering long-term economics. An Actuary has tables showing how long you will probably live and the long-term cost of your pension, which is set based on anticipated growth of current pension assets based on current interest rates.

Obviously, the “present value” calculation of that asset will be much lower than the projected way it might look over your anticipated life span. This is a way of saying that the “lump” you take this year, will inevitably look much larger -- if you are able to invest it under ideal conditions without a financial market pull-back -- over the next twenty to thirty years.



This is why the Pension Rights Center in Washington D.C. has long been against lump sum buyouts. They believe that the retiree is taking a long term beating on what is really due to them from the employer. But again, that depends on your circumstances and, only you and your family should have the right to make that decision.

The vitally important reality must be that the retiree making the decision should be aware of all the possible ramifications. A clear 360-degree vision of the decision you are undertaking is critical because the ramifications do last throughout your retirement lifetime!

When you get the “lump” do you have an investment plan?

Given all that money in one chunk, do you have a Financial Planner you can trust? What will that financial planner charge you for advising and managing that money? If the cost is 1 percent or 1 ½ percent annually, what will be the cumulative cost of those money management services to me and my estate for the next 10, 20, 30 or more years?

Or will you be tempted to buy an expensive car or boat, or dream vacation property with the money that is supposed to be for your retirement?



So many retirees I know who took the buyout quickly ran through it, and now have little more than their meager savings and Social Security. Another retiree gave the money to his son, a young financial planner on Wall Street. When the crash of 2008 hit, he lost his shirt as did so many others. Others that took a lump sum are also doing wonderfully having thoughtfully considered, measured and planned well ahead of time and continued maintaining a studious approach to their retirement nest egg as the years progressed. You've clearly got to be very careful in this decision. I have considered this and have concluded that I would be struggling with this decision as much as you are.

If you take the pension option, who will be the sponsor?

Today, it might be a very strong Verizon. But what about next year? Is there an option allowing your spouse to continue at least half of the pension in case you suddenly get seriously ill or get hit by a truck? You may have confidence that Verizon will be around for decades to come.

There is also nothing to prevent an employer from offloading a pension asset to, e.g. the “Jack Cohen Insurance Company” as a group annuity spinoff next year, or earlier, according to an [October 15th article in the Wall Street Journal](#).

Verizon may have told you that this means nothing, since your monthly check will be the same. Yes, your monthly check will be the same. However, when that “pension de-risking” transition is made, with the employer handing over thousands of pensioners’ retirement assets to a third party, it legally converts your pension to what is defined as a group annuity. Some also have termed this type of transaction as “pension stripping.”

With this process you the retiree lose ALL of the protections afforded by the federal ERISA Law passed in 1974, to protect the beneficiary who was getting a pension. When a pension is de-risked to an insurance backed group annuity, the ERISA benefits are circumvented losing all federal protection. Association of BellTel Retirees members, all of whom retired from Verizon or its predecessor companies at earlier dates – including with similar past buy-out offers - are familiar with this from many stories published in our quarterly BellTel Retiree Newsletters.

The Association, which we encourage all new and soon-to-be retired Verizon to join, can participate in learning more about these issues at one of our regular mini-meetings held in recent years. **The next one will be in Staten Island, NY on Nov.13th at the All Saints Episcopal Church from 10:00am to 12:00pm. If you are interested in attending, please call and RSVP (631) 367-3067.** At minimum, this is guaranteed to increase your retirement IQ, and that, along with protecting the retirement future of the Verizon retiree community, is what our organization has always been about.

I retired in 1994 and was not given the same choice and options offered today. The only option I had was to take the pension. De-Risking of pensions at that time did not enter into the equation. What would I do now? I have considered this, and I would be struggling with the decision as much as you are.

Projecting my age back to where I was in my life in 1994, age 51, I felt that I could safely risk living two or three decades more. I also had several other expected sources of retirement income, so to take the “lump” would give me a pot of funds to invest for myself then, in 1994 dollars, but would end any monthly payouts for what has now been a quarter of a century more.

There is also the newer realization (not as evident in 1994) that with so many corporations unloading the “risk of managing pensions,” each of the 50 states will have to get involved in creating regulations to replace some of the federal protections pensions have with ERISA. Few understand that the regulation of insurance companies has been the sole province of the States since the late 1940’s. So if the state where you live or might move to in retirement has lax regulations for annuity replacement protections, as most states lack, then there is more burden on you.



“Be active in the community that together fights for the economic and legal protection of our peers...Join the Association of BellTel Retirees and make a difference.”


Association Chairman Jack Cohen


The Feds are out of the picture when a pension is converted. If the states do not pass appropriate legislation, which your Association is battling to get passed, along with its sister organization, ProtectSeniors.Org, each of the states are risking an economic catastrophe should a carrier fail while holding tens of thousands of these retirement group annuities. Insurance Guaranty Associations, which are not regulatory bodies, and are controlled by the insurance companies themselves in each state, have had their problems well-documented in both PA and with [MetLife in losing track of retirement accounts](#).


With this decision, each of you need to carefully weigh the options and think long-term, and of course stay tuned. When you walk away from Verizon and the great career and comradery, teamwork and professionalism you shared, do not turn your back and disappear from the lives of your working family for the last few decades. Instead, after you have caught your breath, reset your compass and perhaps taken some time off for travel, we encourage you to join the Association of BellTel Retirees.


Be active in the community that together fights for the economic and legal protection of our peers. To learn more about the very many things the Association of BellTel Retirees does, visit us online or our social media. I hope you will be impressed with all the victories we have accomplished when our former employer continually seeks to cut corners at retirees' expense, or simply walk away from commitments they made to you and I in our decades of loyal service.

Association of BellTel Retirees

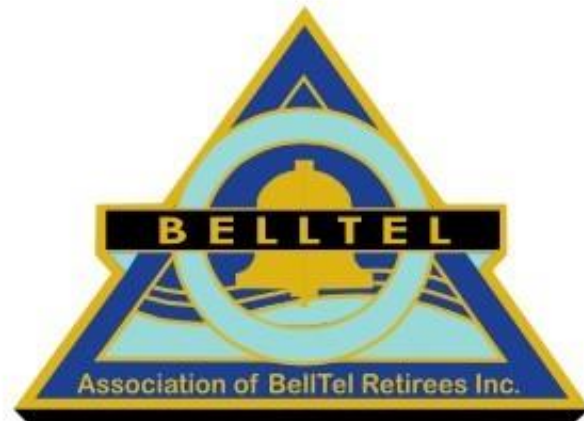
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