April 2019

THIS LETTER IS INTENDED FOR VERIZON SHAREOWNERS ONLY

If you do not own Verizon stock, please pass this on to anyone you know who does. The Association introduced the executive retirement plan proposal (Item 4) and Association Chairman Jack Cohen introduced the Executive Severance proposal (Item 8), both described below. If you do not receive your Verizon proxy statement 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.

DEAR FELLOW ASSOCIATION MEMBER:

We urge you to vote FOR Item 4 and FOR Item 8 on Verizon’s proxy card for the upcoming Annual Meeting, scheduled to be held May 2nd in Orlando, Florida.

Item 8: Vote FOR the “Severance Approval Policy”

While we support performance-based pay, we believe that requiring shareholder approval of “golden parachute” severance packages with a total cost exceeding 2.99 times an executive’s base salary plus target bonus is a prudent policy that will better align compensation with shareholder interests.

Verizon’s 2019 Proxy discloses (page 66) that if CEO Hans Vestberg is terminated without cause, whether or not his termination follows a change in control, he will receive an estimated $27.6 million in termination payments, nearly seven (7) times his 2018 base salary plus short-term bonus.

These termination payments are in addition to compensation that is earned prior to termination, including pension plans, deferred compensation plans, and executive life insurance benefits, which pay out millions more.

A decade ago, following a 59% shareholder vote in favor, Verizon adopted a policy to seek shareholder approval for severance with a “cash value” in excess of 2.99 times salary plus target short-term bonus. But the current policy has a huge loophole, in our view: The Company policy excludes the value of the accelerated vesting of performance shares (PSUs) and of restricted stock (RSUs), including accrued dividends, from the total cost calculation that would trigger the need for shareholder ratification (2019 Proxy, page 49).

If a senior executive terminates after a change in control, “all of that [executive’s] then-unvested PSUs will fully vest at the target level performance” (2019 Proxy, page 49). Had the executive not terminated, the PSUs would not vest or pay out until the end of the performance period – as long as 3 years later – and could be worthless if performance compared badly to the Dow Peer index and free cash flow metrics used by the Board. And because PSUs and RSUs are by far the largest component of compensation, this loophole excludes the majority of severance payouts from the 2.99 times salary plus bonus threshold that triggers the need for shareholder approval.

For example, former CEO Lowell McAdam will receive an estimated $27 million in separation payments due to his retirement at year-end 2018, nearly five times his 2018 base salary plus short-term bonus. These payments represent the estimated value of performance-based equity grants that cover periods ending Dec. 31, 2020 – as long as two years after his departure (2019 Proxy page 66).

Item 4: Vote FOR Limiting “Nonqualified Savings Plan Earnings” for Senior Executives

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 proposal, submitted by the Association of BellTel Retirees, to prohibit the practice of paying above-market earnings on the non-tax-qualified retirement saving or deferred income account balances of senior executive officers.

The Verizon Executive Deferral Plan allows executives to contribute or defer compensation significantly above the applicable IRS limits on 401(k) accounts, including without limit their base salary and short-term bonus.

For example, in 2017 then-CEO Lowell McAdam received $73,949 in “above-market earnings” on his nonqualified plan assets (2018 Proxy, Summary Compensation Table, page 46, column h).

Institutional Shareholder Services (ISS), the leading proxy advisory firm for institutional investors, has recommended a vote FOR this proposal each of the past two years. In its 2018 proxy analysis, ISS concluded that paying “above-market earnings on investment options is not common market practice” and “is not a best practice, as this additional cost has no basis in executive performance.”

For CEO McAdam, these above-market earnings came on top of $325,150 in Company matching contributions to his Executive Deferral Plan account and $18,850 to his Management Savings Plan account (2018 Proxy, page 47).

The $418,000 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 tax-qualified Savings Plan. Verizon provides a matching contribution equal to 100% of the first 6% of base salary and short-term incentive compensation that a participant contributes (Proxy, page 48).

Such massive disparities between retirement benefits offered to upper management and rank-and-file 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 above-market earnings on senior executive retirement accounts and requiring shareholder approval of golden parachute severance benefits are reforms needed to better align executive pay with shareholder interests.

Please Vote Your Proxy Card FOR Item 4 and FOR Item 8.

Sincerely yours,

Jack K. Cohen
Chairman

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