

BELLTEL RETIREE

The Official Newsletter for Retirees of Bell Atlantic, GTE, NYNEX, Verizon and Its Subsidiaries
Paid for by contributions from Verizon retirees

Spring 2006

★ 1996 ★

10 Years of Service to the Verizon Retiree Community

★ 2006 ★

Volume 37

Response to Verizon Freezing Management Pension Plan

In a December 5th email, 50,000 loyal Verizon employees were told by the company message center that their pension plan had been permanently frozen. The change only affects management employees, not retirees.

The Association is extremely dismayed about these major changes in the pension, healthcare and other benefits and will be examining available courses of action. Almost one month to the day after Verizon closed its management pension plan, IBM followed suit and again almost one month after IBM's announcement, General Motors followed suit.

This triple play has been called the end of the American Pension by many in the press.

While we have heard the company explain the financial pressures it faces

in the global economy, we abhor the concept of solving these problems on the backs of those who have given their lives to build this company. We are most concerned about those who have worked many years with the promise that pension, healthcare and other benefits would be there for them as long as they were employed and on into retirement. These loyal workers trusted their employer that those forms of deferred compensation would be there. Had they known that the company would renege on those commitments, they surely might have found employment elsewhere.

Verizon will now find it more difficult to attract and retain highly qualified workers when benefits are reduced or eliminated. A company like Verizon should not be known for

breaking promises and renegeing on its commitments.

Since the managers, have once again been singled out to carry the extra financial burden, union workers, who frequently supply the talent pool of future managers, will be even more reluctant than ever before to move into management positions. This is hardly the way to reward workers for their dedication, loyalty and hard work.

We are saddened to witness the lingering death of the **spirit of service** that was inspired by the great former Bell System and that made workers and retirees alike so proud. To take away something that people have worked years for is immoral, ill advised, counter productive and in

(Continued on page 3)

2006 Verizon Annual Meeting in Kansas

The 2006 Annual Verizon Communications shareowner's meeting will be held on Thursday, May 4 at 10:00 a.m. at the Marriott Overland Park Hotel in Overland Park, Kansas, near both Kansas City, Missouri and Kansas City, Kansas.

Your retiree association will be represented at the meeting and will be speaking to the Chairman, Officers, Board Members and shareholders in the presentation of our proxy resolutions. For more information about the BellTel Retiree 2006 shareowner proxy campaign, turn to pages 8 & 9.

We also encourage all Association members who are Verizon Shareowners to NOT VOTE ON THE PROXY PROPOSALS UNTIL you receive a memo from the Association of BellTel Retirees with voting recommendations.

Retirees Meet on May 10 on Long Island, NY for Annual Member Gathering

Hundreds of Verizon retirees are expected to gather in the East Meadow section on Long Island, New York for the 10th Annual Association of BellTel Retirees membership meeting on Wednesday, May 10 from 8:30 a.m. until noon.

The event will take place at the gorgeous Carlton inside Eisenhower Park in East Meadow, Long Island, within about a half-hour ride from New York City.

This event always promises to be a highlight for the year, giving members an opportunity to gather with fellow retirees and former coworkers.

Given that this year commemorates the Association's ten years of service to the Verizon retiree community, the event is expected to have extra significance.

The setting of the meeting is also very welcoming. The Carlton is set among the beautiful 930 acre Eisenhower Park. The park is home to three 18-hole golf courses, earning a reputa-

tion as early as the Roaring 1920's as a golfers haven.

Aside from golfing, the park is a mecca for sporting events and leisurely fun, including a special activities center and outdoor games area just for adults ages 60 and over. Many enjoy horse-

(Continued on page 4)



Among local tourist sites is the Cradle of Aviation Museum.



President's Message

by C. William Jones

Happy Birthday Association of BellTel Retirees! Exactly 10 years ago, a handful of concerned retirees incorporated the Association of NYNEX Retirees, later to be renamed after the merger with Bell Atlantic. These seven founders, five of whom continue to serve this Association in leadership positions, acted because the company was changing its philosophy regarding the treatment of retirees.

Here we are ten years later and the sort of concerns that we had in 1996 have not lessened. There have been no cost of living increases in many years as the buying power of pensions has eroded by as much as 33%. Some healthcare costs have shifted to retirees and other benefits have been frozen or terminated. Your Association has

worked very hard to protect and enhance pensions and benefits with some measurable and some immeasurable successes.

The new global economy is putting greater pressure on companies, pressures that were never thought of 10 years ago. Many companies, including Verizon have reacted by taking drastic measures. The most recent freezing of management pensions for about 50,000 active employees is unconscionable. When many of those people decided to join the company, it was with a promise of excellent benefits, including pensions, healthcare, savings plans, insurance, concession telephone service and more. These benefits were provided in lieu of higher pay, but the "compensation package," including pay and all benefits, was very attractive to new hires.

Now, as many as 29 years later, after working tirelessly, with the promise of retirement security, these people are told that their pension has been frozen. One person indicated that he would

lose nearly \$400,000 by Verizon's action. Verizon officers have acted to save money at the expense of those who built the company. But that action will come at a price. Those savings will cost them. What present or future employee will ever trust this company to do what they promise? What union-represented employee would ever take a promotion to management only to be treated like a possession? How could a customer rely on the word of Verizon? Car dealers made famous the "bait and switch" and now Verizon joins their ranks. This is a sad day in the life of a once world class employer that has sunk to third class status, or worse.

Chairman Seidenberg, I cannot believe that you truly think that these recent actions are in the best interests of the company and its faithful employees.

Association members, it is time to redouble our efforts to do whatever we must to protect our financial security. Your Association has developed a Long Range Strategic Plan to deal with this sort of theft and we will soon be calling upon all of you to help.

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Response to Verizon Freezing Management Pension Plan

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the long range, relegates Verizon to Third Rate status.

Many employees and retirees have been venting their frustrations on the Verizon Retirement Watch web site, which can be found at www.verizonretirementwatch.com)

We wanted to share with you excerpts from an open letter sent to the Association from a current Verizon manager affected by these changes. (Reprinted with Permission)

Mr. Seidenberg:

I am writing to you to express my profound dismay at the change in the entire pension benefit. I have lost \$101,000 from my pension through your subterfuge. Additionally, I get my 75 retirement points as of 1/22/2008, some 22 days after the 12/31/2007 drop-dead date.

While my situation is bad, it is nothing compared to a 47-year-old, employee with 25 years of service who does not reach his 75 points by

the magical 2007 date. Under your scheme, he is loosing in excess of \$400,000.00 dollars. Think about what this means to your employees. Retirements that they have worked hard for are destroyed.

Verizon's 2004 net income was \$7.8 billion. To put the impact of your contrivance in simple terms, assuming similar net income over ten years, the \$3 billion saved by your estimate, is a mere 4% of that total, or less than half of one year's income.

I am asking a more fundamental question of trust. In one staff meeting you have an Executive VP responding to a complaint about the confiscation of the pension plan by saying that if the employee can find a job with another company he should leave. That comment evidences a "let them eat cake" mentality, the impression of which is shared by a growing number of employees.

Trust is a covenant between the employer and the employee.

The bargaining unit worker who

accepted an exempt supervisor job and now, without the bargaining agreement to protect her, will have to choose between college for her children and a retirement of some comforts. What about all the engineers, designers, planners and managers for whom a forty-hour week means there was a national holiday that week?

Last year, the top five executives of Verizon, including you, made \$37,891,000 in annual compensation plus restricted stock awards and other compensation. It is unseemly that senior executives hold themselves above the fray and assign the sacrifices to us plebeians. Sir, we are not all in this together unless we are all in this together. Until you and your cohorts join us in the suffering, you are living down to the expectations of Wall Street.

*Ralph M. Casillas,
Verizon Network Engineering &
Planning Trunk Forecasting*

Mimicking Verizon, I.B.M. & GM Freeze Employee Pension Plan

As a New Year's surprise to its employees IBM, which operates the third-largest corporate pension fund in the United States, said it would freeze pension benefits and only offer employees a 401(k) retirement plan in the future. In February General Motors the world's largest automaker said it planned to freeze its retiree pension program, and introduce other changes in its retirement program for future retirees.

Recently Verizon froze its pension plan for management employees. That change is slated to take effect on June 1, 2006.

As of the end of 2005, IBM's U.S. defined benefit qualified pension plan was fully funded with more than \$48 billion in assets. I.B.M. said the freezing of its pension plan should save the company \$2.5 billion to \$3 billion by 2010. The change is slated to take effect Jan. 1, 2008 and does not affect IBM's current 125,000 U.S. retirees, those with already vested benefits or employees who retiree prior to the date of the change. IBM's U.S. defined benefit pension plans will stop accruing new benefits effective December 31, 2007.

GM said its moves to rein in retiree

benefits would save the company about \$900 million a year, and reduce health-care liabilities by \$4.8 billion capping contributions to salaried

retirees' health-care coverage at 2006 levels. Current GM retirees and surviving spouses will not be affected, the company said.

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Verizon Completes Takeover of MCI

In early January Verizon Communications Inc. completed its \$8.5 billion purchase of MCI Inc. giving the company a national fiber-optic network and business-services unit to help it compete against the combined SBC/AT&T, now to be called AT&T Corp.

The MCI acquisition came after a three-month bidding war against Qwest.

The merger increases Verizon's work force by about 40,000 to 250,000, a number the company has said it would reduce by about 7,000 after the deal was completed.

Under terms of the acquisition, MCI stockholders get 0.5743 shares of Verizon, plus a cash payment of \$2.738 for each MCI share. Verizon said it opted for the cash payment, totaling \$779 million overall, rather than issuing more shares so the deal's value would amount to at least \$20.40 per share of MCI.

Within days of the deal's completion, CEO Ivan Seidenberg spoke at an investor conference in Phoenix and said he expects the company's recent acquisition of MCI to yield \$8 billion in incremental revenues and operational savings, up \$1 billion from the amount announced in February 2005, because of so-called aggressive transition plans.

CEO's Rewarded Handsomely

Michael D. Capellas, former CEO of MCI will gain a \$39 million golden handshake pay package for selling MCI to Verizon. Just three years ago Capellas also collected a \$14 million golden handshake package for selling Compaq Computers to Hewlett-Packard.

As of press deadline there was no word of any incentive packages being provided to current Verizon CEO Ivan Seidenberg or other top executives at the company.

But according to the New Networks Institute (www.newnetworks.com), during the year 2000 when the GTE

and Bell Atlantic merger was put into motion, six individuals received 10.1% of all stock options with an estimated value of \$151-\$380 million. From 1999-2001, the top 6 executives of Verizon-GTE received a total of 9.8 million shares with an estimated value of \$424 million to \$1.1 billion. The group made \$194 million dollars in salaries and other perks, including various merger bonuses in just those years.

When AT&T was taken over by SBC, ex-AT&T CEO David Dorman was given a package worth an estimated \$55 million in cash, stock and other benefits. CALPERS, the trust that represents California's Public Employee Pension Plan, complained that AT&T's need to be acquired was partially due to Dorman's leadership and inability to turn the company around. Christy Wood, a senior investment officer at CALPERS simply said, "We're not anti-pay. We're anti-pay for failure."

Retirees Meet May 10 on Long Island

(Continued from page 1)

shoes, lawn bowling and bocce games, and tables provide sanctuary for card players. It is also just minutes away from a great selection of shopping at Roosevelt Field or for those who want to dip their toe into the Atlantic Ocean, Jones Beach is also just a short car ride away. (For a brochure on things to do while in the area call the

L.I. Convention & Visitors Bureau toll free at 1-877-FUN-ONLI or visit the web site www.funonli.com)

As of our news deadline, more than 200 Early Bird RSVP's have been received, well ahead of the response for recent annual retiree gatherings.

To be part of this special occasion it is highly recommended that you RSVP well in advance to guarantee a spot for

you and your guests.

If you would like to attend the event, please complete the form below and mail it along with a \$5 per person registration fee to J. McCann, Annual Meeting Coordinator, P.O. Box 33, Cold Spring Harbor, New York 11724. **Make checks payable to: Association of BellTel Retirees.** Please do not send cash or RSVP's to the Association's Glen Head, NY address. Please include your email address and the email address of your guests. An admission ticket will be mailed to you once your check and registration form is received.

Continental breakfast will begin at 8:30 a.m., followed by the business portion annual meeting from 10:00 a.m. - Noon.



Nearby Old Westbury Gardens is one of the region's most elegant estates and is open to visitors

RSVP for Association of BellTel Retirees 10th Annual Meeting May 10, 2005 at The Carltun in Eisenhower Park East Meadow (Long Island), New York

I will attend the meeting on Long Island, NY _____ # in my party _____

Name: _____

Address: _____

Phone Number: _____ Email: _____

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

For other members/guest names and addresses in your party, attach a separate sheet of paper.

Please return this registration form and fee by to:

J. McCann, Annual Meeting Coordinator,
P.O. Box 33, Cold Spring Harbor, New York 11724.

Please make checks payable to: Association of BellTel Retirees

Verizon Fiscal Rating Cut by Wall Street

Standard & Poor's (S&P) has joined Moody's Investors Service in reducing its rating on Verizon Communications Inc.'s debt and suggests it may lower rating on other phone companies as competition from the cable industry increases. In mid-January Verizon, had its long-term debt rating cut one step to A from A+. Richard Sideman an S&P analyst cautioned, "In the battle between telephone and cable, the early advantage should go to cable."

Verizon is spending billions of dollars building a high-speed network for TV services to counter efforts by some of the nation's largest cable television companies. JPMorgan analyst Jonathan Chaplin estimates that cable and other providers of Internet-based telephone service will capture 28 percent of voice lines by 2010. He rates Verizon shares neutral."

In late December, Moody's Investors Service downgraded Verizon's \$45 billion of long-term debt. At the time Doreen Toben, Verizon CFO objected, saying that she took, "strong exception" to the reduction.

By the beginning of 2006, Verizon had made fiber available to 3 million homes and businesses in 16 states, according to CEO Ivan Seidenberg. He projects that Verizon plans to pass another 6 million homes by the end of 2007, until it reaches 60 percent of those in its territories. Late in 2005 the company began offering television services in parts of Texas, Virginia and Florida.

Beginning in January Verizon Wireless also began selling downloadable songs for cell phones, in an effort to tap the growing market for online music. It is expected that by early summer the service will offer over one million songs from major record labels.

When a customer purchases a song via cell phone, a copy will also be available on their personal computer for \$1.99. Verizon will also allow subscribers to download a song for 99 cents directly into a computer and then transfer it to their portable music player handset.

Jupiter Research estimates that the current U.S. market for downloadable music is \$511 million. Shipments of mobile phones with the capability of

storing and playing music will rise to 439.2 million in 2008 from 194.1 million this year, according to Strategy Analytics.

\$250 Each to New Member Contest Winners

In the fall 2005 the Association held a contest to encourage new member referrals.

For each referral that became a contributing member of the Association, the names of the new member and the referring member were placed into a drawing to each win a \$250 American Express Gift Card. The current Association membership stands at 111,500.

Selected from active members who recruited a new member: **Ken Giles of McMurray, PA**; Selected from new contributing members was **Mrs. Laurel Ann Skalko of Scottsdale, AR**.

Congratulations and thank you for being part of our retiree community and helping us grow. Keep spreading the word to your fellow retirees.

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Retiree Spotlight

A Founding Father's Wake-Up Call

By Christina Martingano

Within the first few minutes of speaking with C. William Jones, President and Executive Director of the Association of BellTel Retirees, his dedication to a greater cause becomes crystal clear. Jones is a calm, controlled leader with a friendly demeanor, which offers reassurance of his capabilities to lead the Association with a smile and a twinkle in his eye.

Perhaps his commitment to Bell System retirees stems from his dedication to the company itself. Jones began his thirty-year long stay with what was then New York Telephone the summer before his senior year of college. He was working with the General Sales Department as part of the company's summer program and had been offered a job after graduation.

He was so compelled by what he had learned that, he did not even seek to interview with another company upon receiving his college degree. However, Jones' first day at NY Telephone may not have been as smooth, and shall we say profitable, as he might have liked.

Bill was set to work with a 6-man line truck as part of the company training program. The day began with some

good-natured teasing from his new colleagues and the suggestion of a game of Hearts, with the loser buying the rest of the crew coffee. As the new guy he couldn't refuse, but never having played hearts before, Jones naturally lost. Later in the day cards were soon dealt again to see who would pay for lunch, and then again to see who would buy the afternoon's coffee.

Jones lost each time and wound up having to borrow money from the foreman to pay for the day's expenses.

On the trip home from work he realized that his first day of work may have cost him more than his day's wage. That night, he asked his wife to teach him how to play and hopefully win at hearts, or else he was never going to be able to afford to pay the rent at home, let alone continue to feed his hungry colleagues.

Bill Jones' career began working in NY Tel's Commercial Department with customer service. Within time he was promoted to supervisor and then manager of that department. He later moved on to the Operations, Planning, and Engineering Department and then served as a witness to rate case proceedings, where he estimated and testified for future rates. He finished his career as the Managing Director of Corporate Planning at NYNEX.

Jones fondly remembers the family atmosphere of the Bell System. He remembered the company as a place where strong friendships were able to exist and where executives understood the importance of looking out for the concerns of their employees.

He credits the Bell System with an ability to foster a team-focused and nurturing work environment, the same way the Association of BellTel Retirees and its volunteers have forged a common bond committed to fighting for retiree economic rights.

"Because of the Association, we stay connected with a lot of people," said Jones. "It is satisfying to stay in touch with folks you worked with and to help and try to make a difference in their



Bill Jones at his retirement party from NYNEX.

lives."

Recently, after speaking to a member about an upcoming road trip to Florida, the member offered Jones and his wife a place to stay while traveling. Bill was genuinely touched by not only the kindness, but also the trust this gesture displayed from a fellow retiree.

Aside from his work with the retiree association, Bill Jones has been very active since his retirement in 1990. The sports' fan serves as President of his local YMCA and plays both golf and platform tennis.

He also served on the Board of the American Platform Tennis Association, as President of the Long Island Platform Tennis Association and is part of the Maryland Golf Association. He has also served on other boards, including the Red Cross and helps his wife Gail in her own community involvements, including work in the performing arts, the historical society and Habitat for Humanity.

Jones has been married for 46 years to Gail, whom he met while attending Lehigh University in Pennsylvania. They have two children, a daughter and son, plus two grandchildren, ages three and seven. And in an age where air travel is the norm, Bill and Gail still appreciate taking long road trips across the U.S. He recalls seeing Nevada, the Grand Canon and Arizona, several national parks, Texas and the Gulf States along the way.

Bill chose early retirement in 1990. His experience with the company's budgeting department gave him proof that the company would take care of its retirees including providing promised Cost of Living Adjustments (COLA) every few years.

However, five years after he had left the company, by 1995, he had not received an increase and began to wonder what had changed.

About that time Bill met up with fellow NYNEX retiree, Ed Ward and both

(Continued on next page)

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Retiree Spotlight

(Continued from previous page)

came to discuss the COLA issue while chatting about their retirement health care options. They then began to spread the word, recruiting retiree friends and colleagues Don Eltharp, Bob Rehm, John Parente, Joe Ristuccia and Mike Kucklinca.

As the group of seven met and went out to speak to regional retiree groups they began to gather what grew to 1,440 retiree signatures on a letter to Ivan Seidenberg, then Chairman of NYNEX. Some months later when the chairman did not respond to the company's loyal retirees, they realized more action was needed and they officially created a retiree advocacy association.

In 1996, the list of retiree issues plaguing America's retirees had not yet grown as plentiful as it is in the year 2006. At the time, the retirees were simply advocating for the Cost of Living Adjustment they had been promised in their working years. "If he had just given retirees a COLA at the time, he might have taken the air out of the balloon and we all might have just gone away." But oh, how times have changed!

Since then, Jones and his fellow volunteers have lead The Association of BellTel Retirees into numerous successes and an amazing growth trajectory, now with ten years under their belt and over 111,500 members.

These successes include helping to gain a pension increase from \$400 a month to \$700 a month for retirees living on minimum pensions and helping to gain a Special Lump Sum Payout for retirees that ranged between \$2,500-\$20,000. For many retirees these wins provided a financial lifeline.

Among the most recognized accomplishments — especially on Wall

Street — is the Association's standing as the first retiree advocacy organization in the United States to utilize corporate shareholder proxy proposals to force change for greater responsibility in corporate governance and being the first to ever defeat Verizon or its predecessor companies in the 100 year history of the company.

Other retiree activist groups have now begun employing this method, as do many labor unions across the U.S. since the Association popularized these efforts with their successes.

Amazingly, retiree proxies have defeated Verizon for the last three years and counting, forcing various reforms on how executives are compensated, reigning in "golden parachutes" and cutting officer pension accruals. "Through our proxy proposals, we have been able to keep the company's attention that we are out there fighting for our retirees and all shareowners," he said.

Another major hurdle facing America's retirees is health benefits and corporations insistence on diminishing them. On this front Jones and Association leaders have worked to nurture other corporate retiree advocacy groups across the country to join the fight for retiree pension and benefit protections, even helping to organize a group in Washington DC to create, advocate and lobby for pro-retiree legislation.



Bill spending time with his granddaughter Carley.

"The only way retirees can help ourselves is to change the laws of the land," said Jones on the efforts to change legislation.

In 1996, few could have ever predicted the explosion of retiree issues that were on the horizon, but this means the organization's mission and need for advocacy by and for Verizon retirees is growing. Jones and his fellow retiree activists have no plans to slow down in the future.

"Given the challenges and threats to retiree security, this is a time where we

believe there is a need to elevate and reinvent the American retiree movement," said Jones. "We have been following the same processes with some incredible successes for 10 years, but with new challenges facing our retirees and other seniors, we need to look into other areas and strategies."

Not content with standing atop of the Association of BellTel Retirees stack of successes, this retiree makes it clear that the Association is already strategizing the next move in a sort of high stakes chess match against a unified corporate America which unlike retirees, has an unlimited pool of money, resources, lobbyists and ad campaigns to get what they want.

Unbeknownst at the time, it was that fateful letter signed by 1,440 NYNEX retirees in 1996 that was the rallying cry to awaken Jones and his fellow retirees and they haven't looked back yet.

Telephone Man

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Retiree Shareholder Proxy Campaign 2006

Last year, for the third consecutive year, board members of your Association of BellTel Retirees succeeded in altering Verizon Communication's corporate policies through the proposal of shareholder proxies.

This year your fellow retiree advocates are back-at-it trying to correct corporate policies that work against the benefit of company shareowners, with two proxy proposals.

One of the measures calls for "Awarding of Performance-Based Equity Compensation" based upon performance and growth of the company and its value, as opposed the current system which awards millions of dollars for mediocrity. A second measure would modify Verizon's Corporate Governance Guidelines to ensure that two-thirds of the company's Board of Directors remains "independent," as defined by the Council of Institutional Investors.

As of our news deadline Verizon had appealed to the Securities Exchange Commission to request the Performance Based Equity proxy proposal be taken off the shareowner ballot and we had responded to the appeal, with a decision by the SEC pending.

The performance-based equity proposal is being put forth by Association President C. William Jones. It

calls upon the Verizon board to adopt a policy whereby at least 75% of future long-term incentive compensation, including stock options and restricted stock, etc. awarded to senior executives be performance-based, with actual challenging performance metrics adopted by the Board and disclosed to shareholders.

"Long term shareholders support compensation policies that provide challenging performance objectives that motivate senior executives to achieve long-term shareholder value," said Mr. Jones. "We believe that a greater reliance on performance-based equity grants that only pay off when senior executives generate substantial value for shareholders is needed at Verizon. Unfortunately for many years the compensation of Verizon's senior executives has been disconnected from returns to shareholders."

As example in Institutional Shareholder Services 2004 *Proxy Analysis* of Verizon, stated that CEO Seidenberg's \$19.1 million compensation for 2003 was "arguably excessive for a company that had negative shareholder returns for the past one-, three- and five-year periods, a performance that trailed both the S&P 500 Index and the S&P 500 telecom services index, according to Bloomberg Business News." That

same year Glass Lewis & Company, a leading proxy consultant, awarded Verizon a "D" grade for pay-for-performance.

Until 2004, Mr. Seidenberg received the largest part of his total compensation in standard option grants. According to the 2005 proxy, he received 468,000 grants in 2004, 1.7 million over the most recent three-year period, and held more than 5 million total.

To its credit, over the past two years the Verizon Board has shifted the mix of long-term compensation toward a greater emphasis on "performance stock units," with payouts contingent on the relative performance of Verizon's Total Shareholder Return. In 2004, 60% of senior executive long-term compensation was granted in the form of these stock units.

According to Mr. Jones, "The problem is that a closer look at the performance stock units agreement reveals that the performance hurdles are what golfers might refer to as a "gimme." For example, if 79% of the companies in the S&P 500 and industry peer groups outperform Verizon (that is, total return ranks at the 20th percentile), the executive receives 34% of the total value of the restricted shares. If Verizon performs somewhat below average - finishing at the 45th percentile in total return - the executive receives 76.5%.

Jones added, "We believe the Board should set a considerably higher performance hurdle for long-term equity compensation. The policy we propose would more tightly align equity compensation with real increases in shareholder wealth and premium-priced options and performance-vesting equity grants are options that would tie long-term compensation more closely to increases in overall shareholder value."

Call for Independent Corporate Board of Directors:

The Association of BellTel Retirees and retiree shareowner Robert A. Rehm, the Association's Chief Financial Officer, are calling on the company to amend Verizon's Corporate Governance Guidelines to provide that the board nominate director candidates

(Continued on next page)

PROXY 2006

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Retiree Shareholder Proxy Campaign 2006

(Continued from previous page)

so a two-thirds majority would be independent.

The retiree's definition of "independent" follows the standard adopted by the Council of Institutional Investors. This standard would require that a director not be considered, if during the past five years they have been employed by the company or an affiliate; a company-paid advisor or consultant; a significant suppli-

er or customer; a nonprofit that receives significant grants from the company; or a firm whose board includes an executive officer of the company.

Retirees believe an independent board is particularly needed at Verizon, where the Corporate Library, an independent corporate governance research firm, rated Verizon's Board as one of the "ten worst" among 1,700 companies analyzed in its 2003 Board Effectiveness Ratings. According to Corporate Library, "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."

Previous Retiree Proxy Wins vs. Verizon A First:

In 2005 Verizon agreed to a retiree proxy requirement to rein-in Supplemental Executive Retirement Plan (SERP) income for senior executives. Before the BellTel victory on the SERP, senior executives received SERP contributions equal to 32 percent of their combined base salary plus bonus for every dollar above \$210,000 during their first 20 years in the plan. After the first 20 years, the SERP contribution rate reduced to 7 percent. In 2004 the payout amounted to \$161 million and more than \$400 million over three years, according to company estimates. The agreement negotiated by retiree leaders reduced these excessive amounts including the 32 percent level down to a range of 4 to 7 percent.

In 2003, Verizon agreed to imple-

ment a retiree proposal to exclude pension credits from the calculation of executive compensation, which gained 43 percent of shareholder votes the previous year. The retirees then went on to shock the company when Verizon shareholders overwhelmingly voted to support another retiree-sponsored Executive Severance Agreement Proposal by a margin of 59 to 41 percent. The non-binding proposal limited overly-generous executive compensation packages and golden parachutes. It was the first proxy loss by Verizon or any other Bell System company in its 100-year history.

In 2004, the retirees were forced to come back at the company on the previous year's

proposal after Verizon executives and its Board of Directors failed to follow shareholders' mandate to limit overly-generous executive compensation packages and golden parachutes. This time, when the retirees authored a binding proxy proposal mandating the board to implement the change, Verizon relented, agreeing that the company will seek shareholder approval for any future Executive Severance Agreement more than 2.99 times an executive's base salary and bonus.

"These victories show how with perseverance, the little shareholder can create change for the better in corporate governance," said Mr. Rehm. "It is our retirees who built this company to greatness and we take pride in its successes, but at the same time we remain vigilant if its moral compass is directed off-center, showering riches on a select few at a huge cost to all shareowners and the company's legacy."

PROXY 2006

Yellow Pages Workers Reach Contract – End 14 Week Strike in NY

By a margin of over 2-1, striking New York State Verizon Information Service workers have ratified a new collective bargaining agreement that will bring their 14-week strike to an end. The pact affects some 300 employees represented by the CWA.

"I congratulate the New York State Yellow Pages strikers for their outstanding solidarity and determination over the last three months," said Chris Shelton, Vice President, CWA District One. "They've won an excellent contract with major improvements that will set the pattern for Yellow Pages workers throughout the mid-Atlantic region."

Under the new contract non-sales employees will receive a 9.5% wage increase over three years beginning in April and management is prohibited from changing sales policies to reduce compensation. Employee contributions toward health insurance are capped and will not increase in the third year of the contract.

The new agreement also protects the pension benefits of unionized VIS employees for the life of their contracts. VIS workers had been covered on the same pension plans that are scheduled to freeze in July for 50,000 Verizon Communications managers.

Nearly 300 strikers returned to work in Manhattan, Westchester, East Meadow, Fishkill, Vestal, Syracuse, Albany and Buffalo on February 6.

We specialize in assisting Verizon/Bell Atlantic Retirees!



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3/1/06

2005 FINANCIAL REPORT

As we begin 2006, we would like to take this opportunity to thank our office staff for their outstanding work performance throughout the year and, in particular, for their dedication in helping the many members who call us looking for assistance. Our staff constantly works with the board, communicating members' concerns, and making recommendations for improving overall administrative operations. They have our overwhelming thanks.

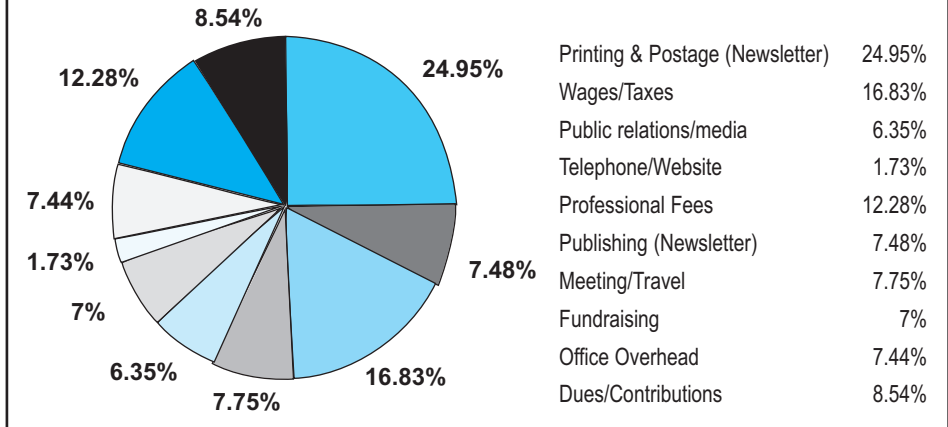
As required by the New York State Attorney General's Charities Bureau, BDO Seidman, LLP conducted an audit of our 2004 financial statements in May 2005. The audit included examining, on a test basis, records, receipts, methods and internal controls as supporting evidence of the amounts disclosed in our financial statements. The auditors found that our financial statements present fairly, in all material respects, the financial position of the Association of BellTel Retirees Inc. at December 31, 2004 and conform to accounting principles generally accepted in the United States of America. The audit's statement of financial position as of December 31, 2004 reflected total assets of \$512,442.

Following is a brief preliminary summary of our financial transactions for 2005. These results will be audited in the second quarter of 2006.

REVENUE

Our 2005 revenue and other income totaled \$719,568, an increase of 5% for the year. Increased media coverage and a concerted effort by the board and fellow retirees to seek out new members resulted in over 10,000 additional

HOW MEMBER CONTRIBUTIONS HELP THE ASSOCIATION



retirees being added to our member mailing list. Twenty-seven percent of the membership contributed in 2005, and the average contribution was \$23.42. Thank you for your efforts to spread the word.

EXPENSE

Our expense for the year totaled \$658,077, reflecting a 2% reduction vs. 2005. Publication of our newsletter, including printing, postage and advertising expense, continues to be our largest expense.

Wages and taxes remained at 16.8% of total expense. Your board is not compensated, and continued to devote over 9,000 hours of volunteer work in the year 2005 to help Verizon retirees and to highlight their needs nationwide.

Travel expense to reimburse the board, and conference and annual meeting expense decreased from 2005 levels. We conducted several board meetings via conference calls, which holds down travel expense.

Fundraising and PR/Media costs were the two categories that increased in 2005 as a percent of total expense and these expenses had a positive

impact on revenues. Printing and postage costs associated with contacting new members are a major part of our fundraising efforts, and we will incur increased postal rates in 2006.

(Continued on next page)



UNITED, TO PROTECT OUR FUTURE

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2005 FINANCIAL REPORT

(Continued from previous page)

Nationwide media coverage for the Association and its retirees' issues continued to grow as more and more news sources sought our input and opinions. This is our best source for highlighting the work of the Association and our reputation as a leading advocate of retiree issues.

Telephone/Web site, Office Overhead and Professional Fees reflected slight reductions in 2005. Under professional fees, we reduced the costs associated with our proxy effort, and strategically moved certain legal activities to 2006.

Year-end results for 2005 reflect Net Income of \$61,491 and total assets of \$564,550. We have a solid foundation for 2006, and along with your continued support we will implement important strategies in the legal, proxy and legislative arenas.

Thank you.

Eileen Lawrence, Treasurer

Member Mailbag



Dear Association,

I just received my Winter 2005-2006 issue of *BellTel Retiree* and was reading the Member Mailbag. There is always one rotten apple in the bottom of the barrel. W.M. in New Jersey is so off base that it isn't funny. Don't let one nut ruin it for the rest of us. You members that volunteer so much of your time deserve nothing but praise. Let it be known that your active

involvement never goes unnoticed to me and 99% of the other members.

Keep up the good work, you will always have my support and help when you need it.

Bob Ferguson (via email)

Dear Association,

I enjoy reading the newsletter and look forward to receiving it. As a former New Yorker (Brooklyn) it makes feel I'm home again. I thank you for your efforts in taking such good care of us, looking out for our interests.

Sincerely,

Edith Martin, Miami, Florida

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On 2006 Retiree Prescription Plan Confusion

Over the recent months, some retirees have received letters from Medco and other health plans who provide prescription drug coverage reminding of changes in prescription drug benefits. As previously communicated by Verizon, some of

the changes are significant and should be reviewed carefully to determine the impact to each retiree and their family members.

Calls to our office show that there is confusion regarding the information provided by the plans. While we

would love to help those who call, we are unable to provide complete and accurate information. Prescription drug coverage plans vary depending upon many factors, not the least of which is the healthcare plan that you have selected. Further, a lot depends upon whether you are Medicare eligible and if your spouse is Medicare eligible.

Our best advice is to review all of your healthcare options to determine if there is a plan available to you that provides the type of healthcare and prescription drug coverage that you need and is economically feasible. Refer to your annual benefits renewal materials for information about your current prescription drug benefit.

If you need more information, log onto the Your Benefits Resources™ Web site at <http://resources.hewitt.com/verizon> or by calling 1-866-Ask-VzHR (1-877-275-8947). Say "Verizon Benefits Center," and follow the instructions to reach a Verizon Benefits Center representative.

ASSOCIATION OF BELLTEL RETIREES INC.

PO BOX 61, Glen Head, NY 11545-0061

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* All names are kept strictly confidential ‡ Only 10¢ a day

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