

## How Associates Can Properly Make a Pension Election When Retiring

Retiring from Verizon after many years of service is both an emotional decision as well as a financial one. A significant part of the financial decision involves a pension election. Associates have a few pension options: elect a lump sum distribution or a monthly annuity (either single life or joint annuity).

The lump sum distribution option is probably the most popular among Associates. It is simply the lump sum equivalent of the single life annuity that would have been paid during your lifetime factoring in current interest rates. Speaking of interest rates...the Verizon pension is very interest rate sensitive in the calculation of your lump sum distribution. When interest rates are low, pension values are higher; in contrast, when interest rates are high, pension lump sum values are lower. As interest rates have declined over the years, pension lump sum values have significantly increased. This is the reason lump sums are currently the most popular election option. This situation could change if rates were to increase significantly thereby making the monthly annuity a more viable election.

The other factors affecting your pension are years of service and age. Obviously, the more years of service you have, the larger your pension (both the lump sum and the annuity). Verizon has certain age and years of service guidelines that determine full pension eligibility. An important factor to consider is retiring before the age of 55. If one retires before the age of 55 without 30 years of service, there is a pension reduction of ½% for each month under the age of 55. For example, if you retire at age 54, the pension reduction is 6%. Another important guidepost is 30 years of service. Once an Associate has 30 or more years of service, he/she is fully pension eligible and can retire without any pension reductions, regardless of age. For example, you could retire at age 49 with 30 years of service and have no pension reductions.

Before retiring from Verizon, it is important to know the values of all your pension election options. You can obtain pension estimates either online at the Verizon Benefits site or by requesting a pension estimate from the VZ Benefits customer service center. Sometimes your estimates need “manually calculated” and are requested by contacting VZ Benefits. The more you understand your pension options and what your “numbers” are, the better financial decision you can make regarding your retirement.

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*Sources: Verizon Savings Plan for Management Employees; Mid-Atlantic Plan SPD; SPD for the Survivor Benefits Program for Mid-Atlantic Associates. All sources as of 3.3.21.*