COMPANY NAME: Verizon Communications

U.S. EMPLOYEES: 240,000

TYPE OF PLAN(S): Cash Balance — 50,000 participants affected (managers)

DATE ANNOUNCED: December 5, 2005

DATE EFFECTIVE: June 30, 2006

DESCRIPTION OF FREEZE: Partial Freeze. Managers at Verizon Communications covered by the defined benefit plan will stop accruing benefits on June 30, 2006, at which point they will receive an 18-month enhancement to the value of their pension. Managers hired after January 1, 2006 are not eligible to earn defined benefit pension benefits.

PLAN SOLVENCY: As of year end 2005, the defined benefit plan assets were enough to cover its $4 billion pension liability.

REPORTED FINANCIAL IMPLICATION: As a result of the freeze, Verizon Communications incurred a charge of about $97 million (pre-tax) and about $60 million (after-tax) in the fourth quarter of 2005. The company expects savings of roughly $3 billion over the period 2006-2016.

NEW ARRANGEMENTS FOR EMPLOYEES: Verizon will raise its match threshold for 401(k) plans from 5 to 6 percent of salary and increase its match amount to $1.50 for every $1.

BACKGROUND: Verizon Communications is the country’s second largest telephone company. Verizon recently purchased MCI and the freeze brings its plan in line with the managerial pension plans at MCI and Verizon Wireless.

REFERENCES

Note:
In regard to ‘Plan Solvency,’ assets of all Verizon defined benefit plans, not just the management plan that is to be frozen, were $39.106 billion at year end 2004, and obligations were $37.395 billion. Assets and obligations for individual plans are not disclosed.