



Krosnowski & Scott LLC
Investment & Retirement Planning Specialists

To: Verizon & ExxonMobil Employees

From: Andrew J. Krosnowski and Melissa Scott Paine

A. Verizon

**Monthly Pension Calculation Rate
Update**

<i>Applicable Interest Rate Assumption</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>August</i>
Management and West Associate 100% BGC*	2.75%	2.75%	2.75%	3.0%
Management and West Associate 120% PBGC*	3.3%	3.3%	3.3%	3.6%
Management and West Associate 10-Year T-bond	3.5%	3.5%	3.5%	3.5%
Management Quarterly GATT(General Agreement Tariffs & Trade)	4.62%	4.62%	4.62%	N/A
Management and West Associate Monthly GATT	4.49%	4.6%	4.62%	4.64%
East Associate Quarterly GATT	4.62%	4.62%	N/A	N/A
East Associate Quarterly 100% PBGC**	2.75%	2.75%	N/A	N/A

* Applies to West Associates only if retirement eligible on or before 12/31/1999

** Applies to termination dates in the months above

*** PLS = Pension Lump Sum

B. ExxonMobil

1st Quarter 2010 rate is 4.0%
2nd Quarter 2010 rate is 4.0%
3rd Quarter 2010 rate is 4.25%

I. Monitor the Changes in Verizon Pension Calculation Rates –

On or near the 17th day of the current month there is an announcement for the next four months pension calculation rates. The rates from May through August are listed above. In addition to the monthly rate update, the quarterly rates for the upcoming quarter are announced (i.e. Quarterly GATT rates) on or near the 17th day of March, June, September and December.

Remember when evaluating the interest rates (**GATT/PPA, PBGC, 10 Year Treasury**) that each rate has it's own separate calculation method. Employees can straddle quarters when deciding to retire and select their retirement and benefit commencement dates (for example: during the fourth quarter 2007, if the first quarter 2008 PLS balance is greater than the current quarter, it may make sense to remain employed. This enables employees to monitor their PLS balance from quarter to quarter. If the current quarter is greater than the next quarter and you are ready to retire then it may make sense to then retire from the company with the best possible PLS balance available to you.

If you find yourself wanting to retire as soon as possible in the current quarter, but the next quarter PLS calculation provides you with a greater economic benefit, the following retirement timing strategy is suggested:

Hypothetical situation- During June 2007 employee John Doe decides to retire from Verizon/ExxonMobil. He determines that his third quarter PLS balance is higher than the second quarter PLS balance. In this example, John could maximize his PLS economic benefit by selecting a **retirement date** of June 30 and **benefit commencement** date of July 1. This will enable him to terminate his employment with the company in the month of June when he wants to retire and lock in the more favorable third quarter PLS balance calculation.

II. Key Terms Used in the ExxonMobil Pension Formula

- Pensionable Service: Generally, all your service while participating in this Plan.
- Final Average Normal Pay: The highest average of 36 consecutive months of your normal pay during the last 10 years of your employment.
- Basic Pension Benefit: $1.6\% \times \text{years of pensionable service} \times \text{final average normal pay} - \text{Your Social Security offset}$
- Social Security Offset: The part of your estimated Social Security benefit that is used as an offset in the pension formula. The offset is equal to 1.5% of your

estimated Social Security benefit for each year of pensionable service, up to 33 1/3 years, which is a maximum of 50%. This offset reflects the fact that while you work for ExxonMobil, the company pays half of your Social Security tax and Social Security benefits make up part of your retirement income.

As a retiree, you can receive the pension benefit as an annuity consisting of monthly payments or as a lump sum. If your benefit starts in the month you reach age 60 or older, you receive 100% of your basic pension benefit. If you are a retiree and begin your benefit before age 60, it will be adjusted according to a schedule. As an example at age 55, you receive 75%.

The stream of monthly annuity payments is converted to a lump sum using:

- A plan-specific mortality table developed by the Plan's actuaries to calculate the probability of your being alive to receive payments.
- An interest rate. Once the retiree's pension is calculated, an interest rate is used to convert the total future payments to a figure representing that total in present-day dollars.

The current interest rate for those retiring in the third quarter 2009 is 3.25%. The interest rate for those retiring during the fourth quarter 2009 will be 4.00%.

The interest rate is based upon 95% of the three month average T-bond rate for the previous quarter. The t-bond rate can be found on the www.irs.gov website and Monthly 30 year Treasury bond rates.

If an employee elects to receive the monthly annuity payments, there are various payment options to choose from that provide varying amounts of monthly payments to your spouse if you die during retirement.

II. Quantify whether it makes sense to retire or to continue to remain employed

We can run a free "**Ben Franklin**" retirement analysis which addresses the pros and cons of such critical issues as:

➤ **Future Annual Employment Income:**

At Verizon/ExxonMobil=\$_____, Outside of
Verizon/ExxonMobil=\$_____, Difference=\$_____ X
Number of years you plan to continue to work____(years) = \$ _____
(Total Income Difference). (+)

➤ **Pension Lump Sum Utilization:** Measure the effect of continuing to work at Verizon/ExxonMobil and the possibility of your PLS balance declining. Estimated annual amount of pension reduction = \$_____ X (# of years) _____ = \$ _____ (total pension balance decrease in value). (-)

- **If you retire** from the company and roll over your pension lump sum balance to an IRA, you can invest your pension assets where they may increase in value while you continue employment with another employer.

Estimate your annual pension lump sum/IRA Rollover balance increase.

PLS

balance \$_____ X 0.08 (assume 8% return) X ____ (number of years) =
\$_____(-)

- **Verizon/ExxonMobil 401k Savings Plan match** = \$_____. (+)

- **Rate your Job satisfaction** at Verizon/ExxonMobil on a scale of 1 (very happy) to 10 (very unhappy) _____. (+ or -)

(+) = *Advantage of staying with current employer, (-) disadvantage of staying with current employer.*

**Quantifying and comparing all of the factors above will enable us to help you make a better more well informed retirement decision.*

III. Free Retirement and Investment Planning Reports

We offer free initial investment & retirement planning analysis. Below is a brief description of the different reports that we can generate for you:

A. 401(k) Savings Plan Investment and IRA Rollover Advice

- We will review your 401 (k) plan investment allocations and provide you with investments recommendations.
- Upon retirement, we can assist you in rolling over your 401(k) assets into an IRA and advise you on efficient investment strategies.
- We can assist you in executing an “in-service” 401(k) Savings Plan rollover to an IRA. This may give you access to potentially more attractive investment vehicles while you continue to work for your current employer.

B. IRA Income Distribution Alternatives

There are two ways to distribute assets from your 401(k) savings plan prior to age 59 ½ (penalty free). Ordinary income taxes still apply.

1. Age 55 Rule - If you retire at age 55 or older, you can request up to twelve 401(k) Savings Plan distributions per year (minimum distribution amount is \$1,000.)

2. IRA 72(t) Income Distribution Analysis -

- Did you know that there is a way you can withdraw assets from your IRA before you are 59 ½? Normally there is a 10% penalty on premature (before 59 ½) IRA withdrawals.
- We can run a report which will illustrate how much income you can withdraw from your IRA prior to age 59 ½ and avoid the 10% penalty.

C. Investment Portfolio Review (Financial Physical)

- If you provide us with a summary of your investment holdings, we will analyze them for you.

We will provide you with a report that will review areas of improvement in your portfolio including ways that may enable you to lower your fees, improve performance, and reduce risk. We will also notify you if your assets are in proper alignment with your stated goals and objectives.

D. Retirement Income Analysis (RIA)

We can assist you in gathering financial data (including future cash flows, investment balances and income needs) and generating a report which will measure your potential to retire comfortably.

E. NUA Stock Distribution Analysis

Net Unrealized Appreciation (NUA) is a special tax method where retirees distribute stock from the Savings Plan and deposit the shares into a taxable account. Upon distribution the cost basis of the shares is taxable as ordinary income (or can be distributed cost basis tax free if an “after-tax” (tax paid) balance exists in the Savings Plan). When NUA shares are liquidated, the appreciation is taxed at capital gains rates.

If you fax us a copy of your Savings Plan Statement (**FAX: 703-506-9556**), we will generate a report which will analyze the “pros” and “cons” of distributing NUA shares including both tax and estate planning considerations.

F. FOMC (Federal Open Market Committee) – Meeting Dates

January 26/27
 March 16
 April 27/28
 June 22/23
 August 10
 September 21
 November 2/3
 December 14

Please feel free to contact us if you would like to take advantage of our free initial reports and services.

Sincerely,

Andrew J. Krosnowski
Senior Financial Consultant
akrosnowski@1stallied.com

Melissa Scott Paine
Financial Consultant
mscott@1stallied.com

Securities offered through First Allied Securities, Inc. Member FINRA/SIPC
E-mail: akrosnowski@1stallied.com Phone: 703-506-8310 (not necessary for email)