

CALCULATING YOUR PLAN BENEFIT

Your pension benefit equals the sum of:

- Your basic monthly benefit, and
- Your supplemental payments.

Basic Monthly Benefit Formula

Your basic monthly benefit is calculated by multiplying the monthly benefit for your pension band by your net credited service.

Net Credited Service

Your net credited service is the continuous number of years, months and days you have worked for a participating company or any other controlled group company, beginning with your most recent date of hire and ending with your retirement or other termination of employment. If you were actively employed by Lucent Technologies Inc. on October 1, 1996, were actively employed by a Lucent entity on September 30, 2000, and you became an employee of Avaya Inc. on October 1, 2000, your net credited service also includes your continuous years, months and days recognized under the AT&T Pension Plan or AT&T Management Pension Plan as of September 30, 1996. Your net credited service will also include your continuous years, months and days recognized under the Lucent Plan if you were employed by a Lucent entity on September 30, 2000, and you became an employee of Avaya Inc. on October 1, 2000.

Your net credited service may also include:

- Up to 30 days of an approved leave of absence in any 12-month period, if you are reemployed at or before the end of the leave, and
- Previous periods of employment that have been bridged under the net credited service bridging rules.

If you are employed on a part-time basis by a participating company, your net credited service is prorated as follows.

For Part-time Employment	Your Net Credited Service Will Be Multiplied by
Before January 1, 1981	The fraction of your scheduled part-time hours divided by the scheduled hours of a full-time employee
On or after January 1, 1981	The fraction of your actual hours worked (excluding overtime) divided by scheduled full-time hours

Business Assistants: Net Credited Service for purposes of calculating your benefit does not include service after December 31, 2003.

Break in Net Credited Service

You incur a break in net credited service whenever you terminate employment. When this happens, your net credited service before the break cannot be added to any of your net credited service after the break until it is bridged under the following net credited service bridging rules:

Net Credited Service Bridging Rule	Requirements	When Net Credited Service Is Bridged
Six Months	You must be rehired within six months.	Immediately.
Two Years (Before January 1, 2004, Three Years)	You must have at least six months of net credited service before the break and the break must be longer than six months.	After you return to work for at least two (three before January 1, 2004) continuous years, and if you received a lump sum distribution when you terminated, you must repay the distribution with interest.
Layoff	You are temporarily laid off for six or fewer months and are rehired into a regular position.	Immediately. You will also receive net credited service for the layoff.
	You are temporarily laid off for more than six months but less than three years and are hired into a regular position.	Immediately. You will not receive net credited service for any period of the layoff (including the first six months).
	You are temporarily laid off, rehired into a temporary position six or fewer months after your lay-off date and then later reclassified into a regular position.	Immediately. You will also receive net credited service for the layoff.
	You are temporarily laid off, rehired into a temporary position more than six months but less than three years after your lay-off date and then later reclassified into a regular position.	Immediately. You will not receive net credited service for any period of the layoff (including the first six months).

Pension Bands

Each job title/grade level/occupation covered by the Plan is assigned a pension band by location. Once assigned, the job title, grade level and occupation (by location) remain in that band unless the job title, grade level and occupation (by location) are later reclassified to a different pension band. For the pension band assigned to your job, contact the Avaya Pension Service Center. For the monthly benefit that applies to your pension band, see "Appendix D."

Generally, your pension is calculated based on your assigned pension band when you retire, terminate employment or are no longer covered by the Plan, unless your situation is governed by special rules for promotions, demotions and transfers.

Business Assistants: If you were a participant in the Plan and employed by a participating company on December 31, 2003, your pension will be calculated based on your assigned pension band and the corresponding pension band value on December 31, 2003. After December 31, 2003, your pension band (and the pension band value) will not change if you remain a business assistant.

Example of Basic Monthly Benefit Calculation

The following example shows how a basic monthly benefit is calculated assuming:

- You are in pension band 115.
- You retire with 30 years of net credited service on April 1, 2007.

Monthly benefit for pension band 115 (see "Appendix D")	\$ 53.36
Multiplied by 30 years of net credited service	x <u>30</u>
Basic monthly benefit	\$1,600.08

Reclassification

If your job title/classification is reclassified into a new higher pension band, your pension is calculated for all your net credited service based on the new, higher pension band.

Promotions and Transfers

If you are promoted or transferred to a new job title/classification with a higher pension band, the following rules apply:

- If you complete 12 consecutive months of service in the new job/classification before you retire or terminate, your pension is calculated for all your net credited service based on the new, higher pension band.

- If you retire or terminate employment before completing 12 months of service in the new job/classification, your pension benefit is calculated for all your net credited service based on the pension band you held before the promotion.

Demotions and Transfers

If you are demoted or transferred to a new job title/classification with a lower pension band, the following rules apply:

- The monthly benefit amount for your pension band on the day before you are demoted or transferred is “frozen.”
- That frozen monthly benefit is used to calculate your basic monthly pension benefit when you retire -- unless the current monthly benefit for your lower pension band is higher when you retire or terminate.

Special Demotion Rule

The Special Demotion Rule applies to you if you are service pension eligible when you are demoted or transferred to a job title with a lower pension band on or after October 1, 1980 solely because of a permanent medical work restriction or a force surplus condition. Under the Special Demotion Rule:

- For your first five years of service after your demotion or transfer to a lower pension band, your pension is calculated using the current value of the secured pension band you held before your demotion or transfer.
- For service after your first five years following your demotion or transfer, your pension is calculated as described in “Demotions and Transfers.”

“Green Circle” Employee: If you are a “Green Circle” employee, your pension is determined using the Special Demotion Rule if:

- You were identified in 1983 through collective bargaining as eligible for “Green Circle” treatment,
- You continued to be designated as a “Green Circle” employee until August 10, 1986,
- You were classified effective August 10, 1986, into a job with a lower pension band, and
- You were eligible for a service pension on August 10, 1986.

Transfer Program: If you participate in the Avaya Transfer Program, or you were a participant in the Occupational Utilization of Resources System, the former Lucent

Transfer Program or the former AT&T Transfer System, your pension is determined using the Special Demotion Rule if:

- You were placed in a regular position through these systems because of a force surplus condition and your new position has a lower pension band, and
- You are eligible for a service pension when you are placed in the position through the applicable system.

Special Pension Provisions for Designated Titles and Workgroups

Special pension provisions may apply for certain employees in designated titles and workgroups. For more information on:

- Wage Incentive Replacement Factor, see “Appendix E”
- Pension Band Differentials, see “Appendix F”

Supplemental Monthly Benefit

In addition to your basic monthly benefit, you may be entitled to a supplemental monthly benefit. Your supplemental monthly benefit equals 0.1% of the average of your supplemental payments in the 36 consecutive months before you terminated employment multiplied by your net credited service.

Supplemental payments include:

- In-charge allowances
- Extra payments for temporary assignments or temporary promotions of one year or less to higher grades or supervisory positions
- Evening and night differential payments, if your work tour falls completely or partially within the stated differential period
- Night-work coverage
- Seven-day coverage
- Job differentials except those which:
 - Are considered part of basic pay in assignment of a pension band, or which were eliminated and included as part of basic pay as a result of collective bargaining agreements, or
 - Were paid before you were promoted or transferred to a job with a higher pension band in which you stayed for at least 12 months.

- Other pension-includable supplements as provided for in applicable collective bargaining agreements

Example of Supplemental Monthly Benefit Calculation

The following example shows how a supplemental monthly benefit is calculated assuming:

- Your total supplemental payments during the 36 consecutive months before you terminate employment equals \$4,500.
- You retire with 30 years of net credited service.

Total supplemental payments	\$4,500
Divided by 3	<u>÷ 3</u>
Average annual supplemental payments	\$1,500
Multiply by .001	<u>x .001</u>
	\$ 1.50
Multiply by 30 years of net credited service	<u>x 30</u>
Supplemental monthly pension benefit	\$ 45.00

This amount is added to your basic monthly benefit. Using the basic monthly benefit example (see “Example of Basic Monthly Benefit”), your total monthly benefit would be \$1,645.08.

Basic monthly benefit	\$1,600.08
Plus supplemental monthly benefit	<u>+ \$ 45.00</u>
Total monthly benefit	\$1,645.08

Social Security Supplemental Benefit

Your pension benefit will also include a social security supplemental benefit if your pension is subject to an early commencement discount and you meet one of the following requirements:

- You are involuntarily terminated on or before May 23, 2009 under a force management program; or
- You are placed at risk of being involuntarily terminated under a force management plan with a scheduled termination date before May 23, 2009, you are eligible for a service pension on your scheduled termination date, and:
 - You are reassigned to the Avaya Job Match Center under the extended compensation option and you are subsequently involuntarily terminated,

- You are certified to receive disability benefits under the Sickness and Accident Disability Benefit Plan on or before your scheduled termination date and you are subsequently involuntarily terminated directly after you are certified to return to work, or
- You are on an approved leave of absence with guaranteed reinstatement rights on your scheduled termination date and you are subsequently involuntarily terminated directly from such leave.

If you are eligible for the social security supplemental benefit, the monthly amount of that benefit equals the monthly amount of any early commencement discount that applies to your pension when it begins. The social security supplemental benefit is paid each month beginning on the date as of which your pension begins and ending on the earlier of:

- The date 12 years of payments have been made,
- The last day of the month during which you reach age 62,
- The last day of the month during which you die, or
- The date your pension payments are suspended.