

## HOW PENSION BENEFITS ARE PAID

How pension benefits are paid depends on the amount of your pension, whether or not you are legally married, and on the option you choose.

### General Rules

*If the present value of your pension is \$1,000 or less* when your employment ends, your vested benefit is automatically paid to you as a lump sum. You do not have a choice concerning when this benefit is paid. If you receive a lump sum distribution of your pension, neither you nor your spouse has any further rights to benefits under the Plan.

When your pension is paid as a lump sum, you can select one of the following options for your lump sum:

- A cash payment to you.
- A direct rollover to an IRA or another tax-qualified retirement plan.
- Any combination of the options listed above.

*If the present value of your pension exceeds \$1,000* when your employment ends, your benefit will be paid in the normal form of payment unless you elect to receive payment in an optional form. After your employment ends, you will receive a commencement package from the Avaya Pension Service Center. The package will include a preliminary benefit calculation and information about your payment options.

### Your Spouse

As described in this section, your spouse may have certain rights and be entitled to certain survivor benefits if you die after your benefit begins. For Plan purposes, your spouse is your legal husband or legal wife for federal income tax purposes.

### Normal Forms of Payment for Service or Service Pension for Disability

If you are not legally married when your pension begins, your pension is paid as a single life annuity unless you elect an optional form. The single life annuity will provide you with monthly payments for your life, with no payments continued following your death.

If you are legally married when your pension begins, you will receive a reduced benefit payable in the form of a joint and 100% survivor annuity, unless you elect an optional form with the written consent of your spouse. The joint and 100% survivor annuity provides monthly payments to you for your lifetime that are reduced by the actuarial equivalent factor. The "actuarial equivalent factor" is calculated based on your age and the age of your spouse when your pension payments begin. Upon your death, a monthly benefit equal to 100% of the monthly benefit paid to you will be payable to your spouse during your spouse's lifetime. If your spouse dies before you, your monthly

benefit will be increased to the single life annuity amount effective the first day of the month following your spouse's date of death, and no further benefits will be payable after your death.

### **Optional Forms of Payment for Service or Service Pension for Disability**

If you are not married when your pension begins, you may elect to receive your pension in one of the optional forms of payment described below instead of a single life annuity.

If you are legally married when your pension begins, in lieu of receiving a joint and 100% survivor annuity, you may, with the written, notarized consent of your spouse, elect to receive your pension in one of the optional forms of payment described below.

The following is a description of the optional forms of payment:

- **Lump sum payment.** Under this option, the entire value of your pension will be paid to you as a single lump sum payment. The amount of your lump sum payment is the present value of your age 65 single life annuity benefit. It is calculated based upon your age and the interest rate in effect on your benefit commencement date. After you receive your lump sum payment, no further benefits will be paid to you from the Plan and no benefits will be payable after your death.
- **Single life annuity.** Under this option, monthly payments are made to you for life with no payments continuing after your death.
- **Joint and 100% survivor annuity with non-spouse beneficiary.** Under this option, a reduced monthly benefit will be paid to you during your lifetime. You may name any living person other than your spouse as your beneficiary under this option. If you elect this option, your benefit will be reduced by the actuarial equivalent factor. The "actuarial equivalent factor" is calculated based on your age and the age of your beneficiary when your pension payments begin. Upon your death, a monthly benefit equal to 100% of the monthly benefit paid to you will be payable during your beneficiary's lifetime. If your beneficiary dies before you, your monthly benefit will be increased to the single life annuity amount effective the first day of the month following your beneficiary's date of death, and no further benefits will be payable after your death. *If you elect a non-spouse beneficiary, depending on the age of your beneficiary, the Joint & 100% Survivor Annuity option may not be available to you.*
- **Ten-year certain annuity.** Under this option, a reduced monthly benefit will be paid to you during your lifetime. Your monthly benefit is reduced by the actuarial equivalent factor. The "actuarial equivalent factor" is calculated based on your age when your pension payments begin. You may designate one or more beneficiaries to receive payments if you die before 120 monthly payments have been made to you. If you die after 120 payments are made, no further benefits

will be payable to your beneficiary(ies). If you die before 120 monthly payments have been made, your designated beneficiary(ies) will receive the remaining guaranteed payments. If you do not specify percentages for the beneficiaries when you designate them, any remaining payments after you die will be divided equally among your surviving designated beneficiaries. If you do specify percentages for the beneficiaries and a beneficiary predeceases you, the present value of that beneficiary's specified share of any remaining payments after you die will be paid in one lump sum payment to your estate because the beneficiary did not survive you. If you have not designated a beneficiary(ies) or your designated beneficiary(ies) do not survive you, the present value of any remaining payments will be paid in one lump sum payment to your estate after you die. If payments have begun to your designated beneficiary and that beneficiary dies, the value of the beneficiary's share of any remaining guaranteed payments will be paid in a lump sum to that beneficiary's estate.

- **Joint and 50% survivor annuity.** Under this option, a reduced monthly benefit will be paid to you during your lifetime. Your beneficiary under this option can be your spouse or any other living person. Your benefit will be actuarially reduced based on your age and the age of your designated beneficiary when your pension payments begin. Upon your death, a monthly benefit equal to 50% of the monthly benefit paid to you will be payable during your beneficiary's lifetime. If your beneficiary dies before you, your monthly benefit will be increased to the single life annuity amount effective the first day of the month following your beneficiary's date of death, and no further benefits will be payable after your death.

### **Optional Forms of Payment for Disability Pension**

If you are not married when your pension begins, you may elect to receive your pension in one of the optional forms of payment described below instead of a single life annuity.

If you are legally married when your pension begins, in lieu of receiving a joint and 50% survivor annuity, you may, with the written, notarized consent of your spouse, elect to receive your pension in one of the optional forms of payment described below.

The following is a description of the optional forms of payment:

- **Single life annuity.** Under this option, monthly payments are made to you for life with no payments continuing after your death.
- **Joint and 100% survivor annuity with non-spouse beneficiary.** Under this option, a reduced monthly benefit will be paid to you during your lifetime. You may name any living person other than your spouse as your beneficiary under this option. If you elect this option, your benefit will be reduced by the actuarial equivalent factor. The "actuarial equivalent factor" is calculated based on your age and the age of your beneficiary when your pension payments begin. Upon

your death, a monthly benefit equal to 100% of the monthly benefit paid to you will be payable during your beneficiary's lifetime. If your beneficiary dies before you, your monthly benefit will be increased to the single life annuity amount effective the first day of the month following your beneficiary's date of death, and no further benefits will be payable after your death. *If you elect a non-spouse beneficiary, depending on the age of your beneficiary, the Joint & 100% Survivor Annuity option may not be available to you.*

- **Ten-year certain annuity.** Under this option, a reduced monthly benefit will be paid to you during your lifetime. Your monthly benefit is reduced by the actuarial equivalent factor. The "actuarial equivalent factor" is calculated based on your age when your pension payments begin. You may designate one or more beneficiaries to receive payments if you die before 120 monthly payments have been made to you. If you die after 120 payments are made, no further benefits will be payable to your beneficiary(ies). If you die before 120 monthly payments have been made, your designated beneficiary(ies) will receive the remaining guaranteed payments. If you do not specify percentages for the beneficiaries when you designate them, any remaining payments after you die will be divided equally among your surviving designated beneficiaries. If you do specify percentages for the beneficiaries and a beneficiary predeceases you, the present value of that beneficiary's specified share of any remaining payments after you die will be paid in one lump sum payment to your estate because the beneficiary did not survive you. If you have not designated a beneficiary(ies) or your designated beneficiary(ies) do not survive you, the present value of any remaining payments will be paid in one lump sum payment to your estate after you die. If payments have begun to your designated beneficiary and that beneficiary dies, the value of the beneficiary's share of any remaining guaranteed payments will be paid in a lump sum to that beneficiary's estate.
- **Joint and 50% survivor annuity.** Under this option, a reduced monthly benefit will be paid to you during your lifetime. Your beneficiary under this option can be your spouse or any other living person. Your benefit will be actuarially reduced based on your age and the age of your designated beneficiary when your pension payments begin. Upon your death, a monthly benefit equal to 50% of the monthly benefit paid to you will be payable during your beneficiary's lifetime. If your beneficiary dies before you, your monthly benefit will be increased to the single life annuity amount effective the first day of the month following your beneficiary's date of death, and no further benefits will be payable after your death.

### **Normal Forms of Payment for Deferred Vested Pension**

If you are not legally married when your pension begins, your pension is paid as a single life annuity unless you elect an optional form. Under the single life annuity, you receive monthly payments for your life with no payments after your death.

If you are legally married when your pension begins, you receive a reduced benefit payable in the form of a joint and 100% survivor annuity, unless you elect an optional form with the written, notarized consent of your spouse. Under the joint and 100% survivor annuity, you receive monthly payments for your lifetime that are reduced based on your age and the age of your spouse when your pension begins. If your spouse is still living when you die, your spouse receives continued, lifetime payments equal to 100% of the amount you were receiving. If your spouse dies before you but after your pension has begun, you will continue to receive the reduced pension for life. No payments will be made to anyone else after your death.

### **Optional Forms of Payment for Deferred Vested Pension**

- **Lump sum payment.** Under this option, the entire value of your pension will be paid to you as a single lump sum payment. The amount of your lump sum payment is the present value of your age 65 single life annuity benefit. It is calculated based upon your age and the interest rate in effect on your benefit commencement date. After you receive your lump sum payment, no further benefits will be paid to you from the Plan and no benefits will be payable after your death.
- **Single life annuity.** Under this option, a monthly benefit will be paid to you during your lifetime. No benefits will be payable after your death.
- **Joint and 100% survivor annuity with non-spouse beneficiary.** Under this option, a reduced monthly benefit will be paid to you during your lifetime. Your beneficiary under this option can be any living person other than your spouse. Your benefit will be actuarially reduced based on your age and the age of your designated beneficiary when your pension payments begin. Upon your death, a monthly benefit equal to 100% of the monthly benefit paid to you will be payable during your beneficiary's lifetime. If your beneficiary dies before you, no further benefits will be payable after your death.
- **Joint and 50% survivor annuity.** Under this option, a reduced monthly benefit will be paid to you during your lifetime. Your beneficiary under this option can be your spouse or any other living person. Your benefit will be actuarially reduced based on your age and the age of your designated beneficiary when your pension payments begin. Upon your death, a monthly benefit equal to 50% of the monthly benefit paid to you will be payable during your beneficiary's lifetime. If your beneficiary dies before you, your monthly benefit will be increased to the single life annuity amount effective the first day of the month following your beneficiary's date of death, and no further benefits will be payable after your death.