

**AVAYA INC.**

**PENSION PLAN FOR SALARIED EMPLOYEES  
SERVICE BASED PROGRAM**

**SUMMARY PLAN DESCRIPTION**

This document is dated January 1, 2009

This is a Summary Plan Description (SPD) explaining the provisions of the Service Based Program (SBP) under The Avaya Inc. Pension Plan for Salaried Employees (Plan) as effective January 1, 2009. More detailed information is provided in the official Plan Document. In all instances, the Plan Document will control and govern the operation of the Plan.

The Board of Directors of Avaya Inc. (or its delegate) reserves the right to amend, modify, suspend, change or terminate the Plan at any time. Because of the many detailed provisions of the Plan, no one else is authorized to advise you as to your benefits. For this reason, Avaya Inc. (Avaya) cannot be bound by statements made by unauthorized personnel.

Please note that participation in the Plan is neither an offer nor a guarantee of future employment at Avaya. Avaya employees are employees at will, which means that they can terminate their employment at any time and for any reason. Likewise, Avaya may terminate an employee's employment at any time and for any reason.

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## **INTRODUCTION**

The Avaya Inc. Pension Plan for Salaried Employees (The Plan) became effective October 1, 2000. The Plan is a successor to the Lucent Technologies Inc. Pension Plan (Lucent Plan). The Plan is responsible for all benefits accrued by participants under the Lucent Plan who became employees of Avaya on October 1, 2000. The Plan recognizes an employee's service and compensation under the Lucent Plan as of September 30, 2000. Any date before October 1, 2000 referred to in this summary refers to that date under the Lucent Plan.

The Plan was frozen as of December 31, 2003. This means that your age 65 pension benefit will be based on your net credited service and eligible compensation as of December 31, 2003. After December 31, 2003, your age 65 pension benefit will not change. Your additional net credited service and age after December 31, 2003, however, continue to count for purposes of determining whether you retire with a service pension, immediate vested pension or deferred vested pension, and any early commencement discounts.

This SPD summarizes the key features of the Plan. You can find complete details in the official Plan documents that legally govern the operation of the Plan. All statements made in this SPD are subject to the provisions and terms of those documents.

## **ELIGIBILITY AND PARTICIPATION**

### **Eligibility for the Service Based Program**

No new participant will be added in the Service Based Program after 2003. Before 2004, you were eligible to participate in the Service Based Program if you were a salaried employee (an employee whose position is not subject to automatic wage progression) who worked for a Lucent Technologies participating company on September 30, 2000, became an Avaya employee on October 1, 2000 (or transferred from Lucent Technologies to Avaya during the transition period between October 1 and December 31, 2000), and were:

- Hired or rehired before January 1, 1999 and on the active payroll of a participating company on December 31, 1998;
- Covered by the Service Based Program when you began an approved leave of absence and you returned to the active payroll by the end of your leave;
- Rehired on or after January 1, 1999 and you were eligible for an immediate bridge of prior service, which had a continuous service date associated with it of December 31, 1998 or earlier;
- Rehired on or after January 1, 1999 and you were service pension eligible under the Service Based Program, or service pension eligible under the provisions of The Avaya Inc. Pension Plan at the time of your prior termination;
- Transferred from a position covered by The Avaya Inc. Pension Plan into a position covered by the Plan on or after January 1, 1999 and when you transferred:
  - Your continuous service date was before January 1, 1999, or
  - You were service pension eligible under the terms of The Avaya Inc. Pension Plan;
- Hired into Lucent's Data Network Systems Group organization on or after June 1, 1998 and on or before December 31, 1998 *and* you had prior Lucent service, or you were covered by the Mandatory Portability Agreement (MPA) and you did not waive coverage under the MPA;
- Employed by an employer acquired on or after October 1, 1996 (or you were hired by the acquired organization after the acquisition date) and you transferred on or before December 31, 1998 to a position covered by the Plan;

- Previously directly transferred before January 1, 1999 from a position covered by the Plan to a non-participating Avaya subsidiary and you subsequently directly transfer to a position covered by the Plan on or after January 1, 1999; or
- If you were an employee who directly transferred on or after January 1, 1998 and before January 1, 1999 from a position covered by the Plan to an acquired company or non-participating Avaya subsidiary, you are again covered by the Plan effective January 1, 1999.

You *are not* eligible to participate in the Service Based Program if you are any of the following:

- An employee covered by the Account Balance Program;
- An employee in a bargaining unit represented by a union;
- A Business Assistant;
- An active participant in any other pension plan generally similar to the Plan and maintained by Avaya, another participating company, any other Avaya subsidiary or any former affiliate or interchange company;
- A non-resident alien employed outside the United States, unless you were covered by a former plan on September 30, 1980;
- A person who provides services to a participating company, but who is not engaged as an employee of a participating company;
- An individual who is employed by an independent company (such as an employment agency);
- An individual who is not paid from the U.S. payroll of a participating company (except for employees of Avaya of Puerto Rico, Inc.); or
- An individual whose services are rendered pursuant to an agreement excluding participation in the Plan.

## CALCULATING YOUR PLAN BENEFIT

Your pension benefit under the Service Based Program is calculated using a formula that takes into account:

- Your net credited service;
- Your eligible compensation.

Your pension benefit under the Service Based Program equals the greater of:

- (a) Your benefit under the current formula.
- (b) Your benefit under an old formula. For more information about the old formulas see "Appendix C."

### Current Formula

Your benefit under the current formula equals the sum of:

Your total eligible compensation during averaging period*	÷	Years in averaging period (five years)	X	Your net credited service as of the end of the averaging period	X	Benefit multiplier 1.4% (.014)
<b>PLUS</b>						
		Total eligible compensation for 1/1/99 through 12/31/03	X	Benefit multiplier 1.4% (.014)		

\*Any of your lump sum merit payments and team management incentive compensation plan awards that were paid in December 1997 count as compensation paid after December 31, 1998. This means such payments are not included for purposes of your averaging period, but are included as eligible compensation paid after the applicable averaging period.

### Example Using the Current Formula

The following example shows how benefits are calculated under the current formula assuming:

- Your total eligible compensation for January 1, 1994 through December 31, 1998 equals \$290,000 and for January 1, 1993 through December 31, 1997 equals \$200,000.

- You retire on December 31, 2005.
- Your net credited service as of December 31, 1998 was 30 years.
- Your total eligible compensation for January 1, 1999 through December 31, 2003 equals \$250,000 and your total eligible compensation for 1998 is \$50,000.

**STEP 1**

	1994-1998 Averaging Period	1993-1997 Averaging Period
a. Total eligible compensation during averaging period	\$ 290,000	\$ 200,000
b. Divide by years in averaging period	$\div$ <u>5</u>	$\div$ <u>5</u>
<i>Average Annual Compensation</i>	\$ 58,000	\$ 40,000
c. Multiply by net credited service as of end of averaging period	$\times$ <u>30</u> \$1,740,000	$\times$ <u>29</u> \$1,160,000
d. Multiply by benefit multiplier (.014)	$\times$ <u>.014</u>	$\times$ <u>.014</u>
<i>Subtotal</i>	\$ 24,360	\$ 16,240

**STEP 2**

a. Total eligible compensation for net credited service after averaging period	\$ 250,000	\$ 50,000
b. Multiply by benefit multiplier (.014)	$\times$ <u>.014</u>	$\times$ <u>.014</u>
<i>Subtotal</i>	\$ 3,500	\$ 700

**STEP 3**

a. Add subtotals from Steps 1 and 2 above for annual pension	\$ 24,360	\$ 16,240
	$+$ <u>3,500</u>	$+$ <u>700</u>
<i>Total Annual Pension Benefit</i>	<b>\$ 27,860</b>	<b>\$ 16,940</b>
b. Divide total annual pension by 12 to determine monthly pension benefit	$\div$ <u>12</u>	$\div$ <u>12</u>



<b>Bridging Rule</b>	<b>Requirements</b>	<b>When Net Credited Service Is Bridged</b>
Two 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 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 time during 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 in a temporary position and then reclassified into a regular position six or fewer months after your layoff date.	Immediately. You will also receive net credited service for the time during the layoff.
	You are temporarily laid off, rehired in a temporary position and then reclassified into a regular position more than six months but less than three years after your layoff date.	Immediately. You will not receive net credited service for any period of the layoff (including the first six months).

**Eligible Compensation**

Your eligible compensation includes the following payments before January 1, 2004 made while you were an eligible employee employed by a participating company:

- Your monthly base pay,
- Differentials paid for night tours or for temporary work in a higher classification,
- Lump sum merit wage payments,
- Short-term incentive compensation plan awards,
- Marketing and sales incentive compensation,
- Special project allowances for assignments you began before December 1, 1983, and

- Area differentials.

Any other type of compensation you may receive is not eligible compensation.

If you are on a leave of absence to work for a joint venture company or a non-participating Avaya subsidiary, your eligible compensation is determined basically the same way. There are, however, some special rules that apply in these situations. These rules will be explained to you if you are affected by them.

**If You Have an Absence**

An absence may affect your eligible compensation calculation. The following rules apply in determining your eligible compensation during a period of absence:

If Your Absence Occurred...	Your Eligible Compensation Is...
During the averaging period, whether or not you earned net credited service for your absence	<ul style="list-style-type: none"> <li>• Projected for the period of your absence using your annual basic rate of pay in effect immediately before your absence, and</li> <li>• Includes any lump sums and differentials actually paid to you during your absence that are eligible compensation.</li> </ul>
After the averaging period, and you received net credited service for your absence	<ul style="list-style-type: none"> <li>• Projected for the period of your absence using your annual basic rate of pay in effect immediately before your absence, and</li> <li>• Includes any lump sums and differentials actually paid to you during your absence that are eligible compensation.</li> </ul>
After the averaging period, and you did not receive net credited service for your absence	Any eligible compensation lump sums and differentials paid to you during your absence.

**Part-Time Employment**

If you worked as a part-time employee during the averaging period, your eligible compensation and net credited service used to determine your pension during the averaging period are:

- Eligible compensation: The basic pay and short-term incentive compensation awards you would have received during the averaging period if you had been a full-time employee.

- Net Credited Service: Your net credited service through the end of the averaging period is prorated for part-time employment. For example, if you worked half days for 30 years, your net credited service would be prorated to 15 years ( $30 \times \frac{1}{2} = 15$ ).

## **WHEN PENSION BENEFITS ARE PAYABLE**

Under the Service Based Program, you may become eligible for one of the following kinds of pension:

- A service pension
- A disability pension
- An immediate vested pension
- A vested pension

### **When Your Pension Begins**

Your benefit payments will begin as of the first day following the date you terminate employment if you elect to begin receiving your benefit during:

- The 90-day period immediately before your pension is to begin, or
- If later, the 90-day period following the date your pension commencement package is mailed to you.

If you do not elect to receive your benefit during that 90-day period, your benefit payments will begin as of the first day after the date you notify the Avaya Pension Service Center that you want to begin receiving your benefit, provided you return your new pension commencement package within 90 days.

### **When You Receive Your First Pension Check**

If you return the necessary paperwork in timely manner, you should receive your first pension check around the first day of the month that is at least 30 days after your service pension begins. Your first pension check will include pension payments retroactive to the date when your pension begins.

### **Service Pension**

You become eligible for a service pension when you are at least age 55 with 15 or more years of net credited service. In this case, your net credited service includes service after December 31, 2003, service with a non-participating company, and service with a company before it was acquired by Avaya.

If you are planning to retire with a service pension, you can request a pension commencement package from the Avaya Pension Service Center up to 90 days before your desired retirement date.

### ***Early Commencement Discount Rules for Service Pension***

The pension calculations provided in the section "Calculating Your Plan Benefit" show how your pension is calculated if you retired with an unreduced single life annuity. If you

receive your pension early, it may be reduced (or discounted) to reflect the fact that it may be paid over a longer period.

If you qualify for a service pension and the sum of your age plus your net credited service is less than 80 years when you begin receiving your pension, your pension is reduced for early commencement. The amount of the early commencement discount is 3% for each year ( $\frac{1}{4}\%$  for each full and partial month) by which the sum of your age and net credited service when your pension begins is less than 80. The following shows the effect the early commencement discount has on the monthly pension benefit calculated under the current formula as shown in the "Calculating Your Plan Benefit" section.

Assume you retire at exactly age 55 with 16 years net credited service. In this example, the sum of your age and net credited service is 71 (55 + 16).

- Your pension would begin 9 years before the sum of your age and net credited service equals 80 ( $80 - 71 = 9$ ).
- This means that a 27% early commencement discount ( $9 \times 3\% = 27\%$ ) applies to your service pension.

a.	Monthly pension payable before early commencement discount	\$2,321.67
b.	Minus early commencement discount (9 years x .03 discount x \$2,321.67)	<u>- 626.85</u>
	<i>Discounted Monthly Pension Benefit</i>	\$1,694.82

Note: The early commencement discount only applies if you elect to begin your pension before the sum of your age and net credited service is at least 80. After you terminate employment, you can avoid the early commencement discount by starting your benefit later. For instance, in this example, no early commencement discount would apply if you waited 9 years after you leave Avaya to begin your benefit because then you would be age 64 and the sum of your age and net credited service would be 80 (64 + 16).

### **Immediate Vested Pension**

You are eligible for an immediate vested pension if you satisfy one of the following requirements:

- Your pension benefit is determined under the transition formula and you are either:
  - Under age 55, with at least 30 years of net credited service, or

- Age 65 or older, with at least 10 but fewer than 15, years of net credited service.
- Your July 31, 2001 pension benefit gives you the largest benefit and you are at least age 50 with 15 or more years of net credited service at termination.

When determining whether you are eligible for an immediate vested pension, your net credited service includes service after December 31, 2003, service with a non-participating subsidiary, and service with a company before it was acquired by Avaya.

### **Early Commencement Discount Rules for Immediate Vested Pension**

The discount rules that apply depend on whether you are eligible for an immediate vested pension based on the July 31, 2001 benefit.

If you qualify for an immediate vested pension based on your July 31, 2001 benefit and the sum of your age plus your net credited service is less than 75 years when you begin receiving your pension, your pension as of July 31, 2001 is reduced for early commencement. The amount of the early commencement discount is  $\frac{1}{4}\%$  for each full and partial month (3% for each year) by which the sum of your age and net credited service when your pension begins is less than 75.

For this example, assume you retire at exactly age 50 with 19 years net credited service.

- The sum of your age and net credited service is 69 (50 + 19).
- Your pension begins 6 years before the sum of your age and net credited service equals 75 (75 - 69 = 6).
- This means that your pension is subject to an 18% early commencement discount (6 x 3% = 18%).

a. Monthly pension as of July 31, 2001 before early commencement discount	\$ 2,321.67
b. Minus early commencement discount (6 years x .03 discount x \$2,321.67)	- 417.90
<i>Discounted Monthly Pension Benefit</i>	<i>\$ 1,903.77</i>

### **Vested Pension**

If you are not eligible for a service, immediate vested, or disability pension when you terminate employment, you are eligible for a vested pension.

## Vesting

If you are a participant in the Service Based Program, you are 100 percent vested in your benefit.

## Normal Retirement Age

Your normal retirement age if you were hired by a participating company before age 60 is your 65th birthday. If you were hired on or after your 60th birthday, your normal retirement age is the earlier of (1) the date of your fourth or fifth anniversary of Plan participation (provided you are on the active roll on that date) or (2) the date you complete five years of vesting service.

## Early Commencement Discount Rules for Vested Pension

Your vested pension is subject to an early commencement discount if you begin receiving your pension before age 65. The amount of the discount depends on your age when you begin receiving your pension.

This example assumes that you elect to begin your vested pension at exactly age 45.

a.	Monthly pension payable before early commencement	\$2,321.67
b.	Multiplied by Early Commencement Factor*	x .16
	<i>Discounted Monthly Pension Benefit</i>	\$ 371.47

\*For the early commencement factor that applies to your situation, call the Avaya Pension Service Center.

## Disability Pension

You are eligible to retire with a disability pension if you:

- Have at least 15 years of net credited service,
- Are totally disabled, and
- Terminate from the payroll due to your total disability after receiving 26 weeks of disability benefits from the Avaya Inc. Short-Term Disability Plan for Salaried Employees.

In this case, your net credited service includes service after December 31, 2003, service with a non-participating subsidiary, and service with a company before it was acquired by Avaya.

If you meet these requirements and you are also eligible to receive a service pension, you will receive a service pension for disability, not a disability pension. You *are not*

eligible to receive a disability pension while you are receiving disability benefits under the Avaya Inc. Short-Term Disability Plan for Salaried Employees.

If you retire with a disability pension or a service pension for disability, your pension is not discounted for early commencement.

If you are eligible for Workers' Compensation benefits or other payments under a similar law, your disability pension is reduced by the amount of the benefit you receive from those other sources for the same disability.

### ***Total Disability***

You are totally disabled under the Plan if you are receiving disability benefits under the Avaya Inc. Long-Term Disability Plan for Salaried Employees. Total disability will not include any accidental injury arising out of or in the course of your employment

### ***Termination of Disability Pension Benefits***

Your disability pension terminates, if:

- You are no longer receiving disability benefits under the Avaya Inc. Long-Term Disability Plan for Salaried Employees, or
- You return to work for Avaya, a participating company, or an interchange company.

If you reach normal retirement age while receiving a disability pension under the Plan, your disability pension converts to a service pension for disability.

## **HOW PENSION BENEFITS ARE PAID**

How your pension benefits are paid depends on a variety of factors, including the amount of your pension and the distribution 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**

For Plan purposes, your spouse is your legal husband or legal wife for federal income tax purposes. 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.

### **Your Domestic Partner**

For Plan purposes, an individual (same-gender or opposite-gender) is your domestic partner if you both meet all of the following requirements –

- Reside in the same household as a member of that household,
- Are age 18 or older,
- Have mental sufficiency to enter into a valid contract,
- Are not related to each other by blood,
- Are not legally married to any other person,

- Have a close and committed personal relationship with each other and have no such relationship with anyone else,
- Have joint responsibility for each other's welfare and financial obligations, and
- Complete and file with the Avaya Pension Service Center a notarized Domestic Partner Affidavit and any other required documentation.

In addition you must satisfy any of the following applicable criteria:

- You must have complied with any state or local registration process for domestic partners;
- If you are the same-gender and reside in a state that recognizes same-gender marriages, you must be legally married under the laws of that state; or
- If you reside in a state that recognizes same-gender civil unions, you must have legally entered into such a civil union.

An individual will cease to be your domestic partner when a notarized Domestic Partner Termination Affidavit is completed and filed with the Avaya Pension Service Center.

### **Service or Immediate Vested Pension**

If you have a spouse when your pension begins, the normal form of payment is the qualified joint and survivor annuity. You may, however, decline the qualified joint and survivor annuity and elect another distribution option with a written, notarized consent from your spouse. If you do not have a spouse (as defined above) when your pension begins, your pension will be paid as a single life annuity (the normal form) unless you elect otherwise. If you do not have a spouse or domestic partner, the only other payment options available to you are the ten-year certain annuity or a lump sum. If you do not have a spouse but do have a domestic partner, the additional payment options available to you are the joint and 50% survivor annuity, the joint and 100% domestic partner survivor annuity, the ten-year certain annuity and a lump sum.

The following is a description of the payment options:

- **Single life annuity.** Under this option, monthly payments are made to you for life with no payments continuing after your death.
- **Joint and 50% survivor annuity.** This payment method is available if you are legally married or have a domestic partner when your pension payments begin. Under this option, you receive reduced monthly payments for life based on the age of you and your spouse or domestic partner (as the case may be) when your pension begins. If your spouse or domestic partner (as the case may be) is still living at the time of your death, your spouse or domestic partner (as the case

may be) receives 50% of the reduced monthly payments for life. If you receive your pension as a joint and 50% survivor annuity, your spouse or domestic partner (as the case may be) when your pension begins is entitled to the survivor annuity even if you are later separated or divorced (or end your domestic partnership). If you elect this option and your spouse or domestic partner (as the case may be) dies before you but after your pension has begun, your future payments will be increased by the amount of the original reduction.

- **Qualified joint and survivor annuity.** This payment method is available if you are legally married when your pension payments begin. Under this option, you receive reduced monthly payments for life based on the age of you and your spouse when your pension begins. If your spouse is still living at the time of your death, your spouse receives 100% of the reduced monthly payments for life. If you receive your pension as a qualified joint and survivor annuity, your spouse when your pension begins is entitled to the qualified joint and survivor annuity even if you are later separated or divorced. If you elect this option and your spouse dies before you but after your pension has begun, your future payments will be increased by the amount of the original reduction.
- **Joint and 100% domestic partner survivor annuity.** This payment method is available if you have a domestic partner when your pension payments begin. Under this option, you receive reduced monthly payments for life. These payments are reduced based on your age and the age of your domestic partner when your pension begins. If you die before your domestic partner, your domestic partner receives 100% of the reduced monthly payments for life. If you receive your pension as a joint and 100% domestic partner survivor annuity, your domestic partner when your pension begins is entitled to the survivor annuity even if you later terminate your domestic partnership. If you elect this option and your domestic partner dies before you but after your pension has begun, your future payments will be increased by the amount of the original reduction.
- **Ten-year certain annuity.** You can elect this option regardless of your marital status when pension payments begin. If you are legally married, however, you may elect this payment option only if your spouse consents in writing to your election and his or her consent is witnessed by a notary public. After your spouse consents to you electing this option, you can change your beneficiary(ies) at any time without your spouse's consent. This option provides you with reduced monthly payments for life based on your age when your pension begins. Payments under this option are guaranteed for at least 10 years.

If you die before all guaranteed payments are made, your designated beneficiary(ies) will receive the remaining guaranteed payments. If you *do not* specify the percentage share for each beneficiary when you designate them, any remaining payments after you die will be divided equally among your surviving designated beneficiaries. If you *do* specify the percentage shares for each

beneficiary 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 since 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 when you die will be paid in one lump sum payment to your estate. 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.

If you live longer than the 10 year period, at your death, no further payments will be made to your designated beneficiary(ies).

- **Lump sum:** You can receive your benefit as a single lump sum. If you elect a lump sum, the lump sum will be based on your pension benefit discounted for payment before age 65 and not applying the more favorable early commencement discount rules. If you take a lump sum distribution of your pension, neither you nor your spouse have any further rights to benefits under the Plan.

## **Disability Pension**

If you do not have a spouse (as defined above) when your pension begins, your pension will be paid as a single life annuity (the normal form) unless you elect otherwise. If you have a spouse when your pension begins, the normal form of payment is the qualified joint and survivor annuity. You may, however, decline the qualified joint and survivor annuity and elect another distribution option with a written, notarized consent from your spouse.

The following is a description of the payment options:

- **Single life annuity.** Under this option, monthly payments are made to you for life with no payments continuing after your death.
- **Joint and 50% survivor annuity.** This payment method is available if you are legally married or have a domestic partner when your pension payments begin. Under this option, you receive reduced monthly payments for life based on the age of you and your spouse or domestic partner (as the case may be) when your pension begins. If your spouse or domestic partner (as the case may be) is still living at the time of your death, your spouse or domestic partner (as the case may be) receives 50% of the reduced monthly payments for life. If you begin receiving your pension as a joint and 50% survivor annuity, your spouse or domestic partner (as the case may be) when your pension begins is entitled to

the survivor annuity even if you are later separated or divorced (or end your domestic partnership). If you elect this option and your spouse or domestic partner (as the case may be) dies before you but after your pension has begun, your future payments will be increased by the amount of the original reduction.

- **Qualified joint and survivor annuity.** This payment method is available if you are legally married when your pension payments begin. Under this option, you receive reduced monthly payments for life based on the age of you and your spouse when your pension begins. If your spouse is still living at the time of your death, your spouse receives 100% of the reduced monthly payments for life. If you begin receiving your pension as a qualified joint and survivor annuity, your spouse when your pension begins is entitled to the survivor annuity even if you are later separated or divorced. If you elect this option and your spouse dies before you but after your pension has begun, your future payments will be increased by the amount of the original reduction.
- **Joint and 100% domestic partner survivor annuity.** This payment method is available if you have a domestic partner when your pension payments begin. Under this option, you receive reduced monthly payments for life. These payments are reduced based on your age and the age of your domestic partner when your pension begins. If you die before your domestic partner, your domestic partner receives 100% of the reduced monthly payments for life. If you receive your pension as a joint and 100% domestic partner survivor annuity, your domestic partner when your pension begins is entitled to the survivor annuity even if you later terminate your domestic partnership. If you elect this option and your domestic partner dies before you but after your pension has begun, your future payments will be increased by the amount of the original reduction.
- **Ten-year certain annuity.** You can elect this option regardless of your marital status when pension payments begin. If you are legally married, however, you may elect this payment option only if your spouse consents in writing to your election and his or her consent is witnessed by a notary public. After your spouse consents to you electing this option, you can change your beneficiary(ies) at any time without your spouse's consent. This option provides you with reduced monthly payments for life based on your age when your pension begins. Payments under this option are guaranteed for at least 10 years.

If you die before all guaranteed payments are made, your designated beneficiary(ies) will receive the remaining guaranteed payments. If you *do not* specify the percentage share for each beneficiary when you designate them, any remaining payments after you die will be divided equally among your surviving designated beneficiaries. If you *do* specify the percentage shares for each beneficiary 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 since 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 when you die will be paid in one lump sum payment to your estate. 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.

If you live longer than the 10 year period, at your death, no further payments will be made to your designated beneficiary(ies).

### **Vested Pension**

If you have a spouse when payment of your vested pension begins, the normal form of payment is the qualified joint and survivor annuity. However, you may elect the single life annuity, the joint and 50% survivor annuity or a lump sum distribution instead of the qualified joint and survivor annuity with the written, notarized consent of your spouse. If you do not have a spouse (as defined above) when your pension begins, your pension will be paid as a single life annuity (the normal form) unless you elect otherwise. If you do not have a spouse or domestic partner, the only other payment option available to you is a lump sum. If you do not have a spouse but do have a domestic partner, the additional payment options available to you are the joint and 100% domestic partner survivor annuity, the joint and 50% survivor annuity and a lump sum.

If you elect to defer payment of your vested pension to a later date, your spouse will be covered by a pre-retirement survivor annuity unless you decline the coverage with your spouse's written, notarized consent. If you decide to begin your benefit before age 65 after deferring payment of your vested pension, you must contact the Avaya Pension Service Center. The Avaya Pension Service Center will send you the appropriate information, along with the forms to be completed and returned before your pension can begin.

If you have not elected to begin your vested pension, the Avaya Pension Service Center will send you an information package, along with the forms to be completed and returned before your pension can begin, approximately three months before your 65th birthday.

It is important that you notify the Avaya Pension Service Center of any change in your address after you leave the active payroll.

There are four payment options for a vested pension. They include:

- **Lump sum.** You can receive your vested pension as a single lump sum. If you have a spouse, your spouse must consent in writing (witnessed by a notary) to your election of this option. If you elect a lump sum, the lump sum will be based on your pension benefit discounted for payment before age 65. If you take a lump sum distribution of your pension, neither you nor your spouse have any further rights to benefits under the Plan.
- **Single life annuity.** Under this option, monthly payments are made to you for life with no payments continuing after you die.
- **Joint and 50% survivor annuity.** This payment method is available if you are legally married or have a domestic partner when your pension payments begin. Under this option, you receive reduced monthly payments for life based on the age of you and your spouse or domestic partner (as the case may be) when your pension begins. If your spouse or domestic partner (as the case may be) is still living at the time of your death, your spouse or domestic partner (as the case may be) receives 50% of the reduced monthly payments for life. If you receive your pension as a joint and 50% survivor annuity, your spouse or domestic partner (as the case may be) when your pension begins is entitled to the survivor annuity even if you are later separated or divorced (or end your domestic partnership). If you elect this option and your spouse or domestic partner dies before you but after your pension has begun, you will continue to receive the reduced monthly pension for life.
- **Qualified joint and survivor annuity.** This payment method is available if you are legally married when your pension payments begin. Under this option, you receive reduced monthly payments for life based on the age of you and your spouse when your pension begins. If your spouse is still living at the time of your death, your spouse receives 100% of the reduced monthly payments for life. If you receive your pension as a qualified joint and survivor annuity, your spouse when your pension begins is entitled to the survivor annuity even if you are later separated or divorced. If you elect this option and your spouse dies before you but after your pension has begun, you will continue to receive the reduced monthly pension for life.
- **Joint and 100% domestic partner survivor annuity.** This payment method is available if you have a domestic partner when your pension payments begin. Under this option, you receive reduced monthly payments for life. These payments are reduced based on your age and the age of your domestic partner when your pension begins. If you die before your domestic partner, your domestic partner receives 100% of the reduced monthly payments for life. If you receive your pension as a joint and 100% domestic partner survivor annuity, your domestic partner when your pension begins is entitled to the survivor annuity even if you later terminate your domestic partnership. If you elect this option and

your domestic partner dies before you but after your pension has begun, you will continue to receive the reduced monthly pension for life.

## **SURVIVOR BENEFITS**

### **Your Spouse**

For Plan purposes, your spouse is your legal husband or legal wife for federal income tax purposes. 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.

### **Your Domestic Partner**

For Plan purposes, your domestic partner is an individual who meets the requirements described under “Your Domestic Partner” in the section titled “How Your Benefits are Paid.”

For your domestic partner to receive the survivor benefits described in this section, in most cases, you must file a notarized copy of the Domestic Partner Affidavit with the Avaya Pension Service Center before your death. Once you file a Domestic Partner Affidavit with the Pension Service Center, the individual named as your Domestic Partner in that Affidavit will be entitled to the survivor benefits described in this section unless you file a Termination of Domestic Partnership Affidavit.

If you die without a Domestic Partner Affidavit on file, your domestic partner usually will not receive a survivor death benefit. However, if you die without a Domestic Partner Affidavit on file while actively employed by Avaya, your domestic partner may receive a survivor death benefit if you and your domestic partner complied with a state or local registration process for domestic partners, you were the same-gender and were legally married under the laws of your state, or you were the same-gender and legally entered into a civil union under the laws of your state, and your domestic partner provides proof of such registration, marriage or civil union.

### **If You Die While Actively Employed**

No benefit is paid under the Plan if you do not have a spouse or domestic partner when you die. The Service Based Program provides an automatic survivor annuity that pays a lifetime income to your spouse or domestic partner if you do have a spouse or domestic partner when you die.

If you have at least 15 years of net credited service when you die, your spouse or domestic partner receives 100% of the reduced monthly benefit you would have received under the qualified joint and survivor annuity or the joint and 100% domestic partner survivor annuity had you retired on your date of death with a service pension. There is no discount for early commencement. The annuity for your spouse or domestic partner begins as of the day after your death. Instead of receiving an annuity, your spouse or domestic partner may elect to receive payment of the age 65 survivor benefit in a single lump sum.

If you have less than 15 years of net credited service when you die, the survivor benefit is only provided if

- you and your spouse were married throughout the one-year period immediately before your death, or
- you and your domestic partner were in a domestic partnership throughout the one-year period immediately before your death.

If your spouse or domestic partner meets this requirement, your spouse or domestic partner can choose to receive the survivor benefit immediately (or any time on or before your 65<sup>th</sup> birthday) reduced for each year it starts before the date you would have reached age 65.

For purposes of applying this one-year requirement, the period of your domestic partnership with an opposite-sex domestic partner who you later marry will count toward the one-year period of marriage requirement if you filed a Domestic Partner Affidavit with the Avaya Pension Service Center.

### **If You Die After Terminating Employment but Before Beginning Your Service or Immediate Vested Pension**

If you are eligible for a service pension or immediate vested pension when you terminate employment and die before your pension begins, your spouse or domestic partner receives a pre-retirement survivor annuity.

Under this survivor annuity, your spouse or domestic partner receives 100% of the benefit you would have received under the qualified joint and survivor annuity or the joint and 100% domestic partner survivor annuity if you began your pension on the day you died. Instead of receiving an annuity, your spouse or domestic partner may elect to receive payment of the age 65 survivor benefit in a single lump sum.

If you do not have a spouse or domestic partner when you die, no benefits will be paid under the Service Based Program when you die.

### **If You Die After Terminating Employment but Before Beginning Your Vested Pension**

If you terminate employment while eligible for a vested pension and die before beginning your pension, your eligible spouse will receive a pre-retirement survivor annuity, unless you previously declined this coverage with your spouse's written, notarized consent. To qualify for this annuity, your spouse must be legally married to you throughout the one-year period immediately before your death. After you have declined coverage, you can elect to start it again at any time. Once your spouse has consented to your election to decline the pre-retirement survivor annuity coverage, your spouse cannot withdraw that consent.

If you terminate employment while eligible for a vested pension and die before beginning your pension, your eligible domestic partner can receive a pre-retirement survivor annuity if you file a Domestic Partner Affidavit to provide survivor death benefits to your domestic partner before your death. To qualify for this annuity, you and your domestic partner spouse must be in a domestic partnership throughout the one-year period immediately before your death.

Under the pre-retirement survivor annuity, your eligible spouse or domestic partner will receive the reduced benefit you would have received if:

- You lived to the date your vested pension began,
- You elected to receive your vested pension as a qualified joint and survivor annuity or a joint and 100% domestic partner survivor annuity, and
- You died the next day.

In that case, payments to your spouse or domestic partner can begin any time after you die up to the date you would have reached age 65. Instead of receiving an annuity, your spouse or domestic partner may elect to receive payment of the survivor benefit in a single lump sum.

### **Deferred Vested Pension Pre-Retirement Survivor Annuity Coverage**

As described above, pre-retirement survivor annuity coverage provides your spouse or domestic partner with a survivor benefit if you die before beginning your benefit. If you have a deferred vested pension, have a spouse and do not decline pre-retirement survivor annuity coverage, your benefit is permanently reduced for that coverage. Coverage under the pre-retirement survivor annuity is only provided to your domestic partner if you elect such coverage. If you have a deferred vested pension and elect pre-retirement survivor annuity coverage for your domestic partner, your benefit is permanently reduced for that coverage.

You can decline, elect and/or re-elect the pre-retirement survivor annuity coverage by notifying the Avaya Pension Service Center in writing at any time (and as often as you wish) after you terminate your employment and before your vested pension begins. Your spouse must consent each time you decline coverage in writing and his or her consent must be notarized. After you have elected pre-retirement survivor annuity coverage for your domestic partner, you can decline that coverage at any time without your domestic partner's consent.

The amount of the permanent reduction for each full and partial calendar year the pre-retirement survivor annuity coverage is in effect is calculated based on your age on January 1 of that year using the following table:

<u>Your Age</u>	<u>Annual Reduction</u>
Under 45	.20% (.0020)
45 through 54	.35% (.0035)
55 through 59	.60% (.0060)
60 through 64	.80% (.0080)

If you are single when you terminate employment and you marry before you begin your benefit, the pre-retirement survivor annuity coverage automatically begins on the first anniversary of your marriage unless you decline coverage.

The following is an example of a vested pension with a joint and 50% survivor annuity with pre-retirement survivor annuity coverage. Assume:

- On January 1, 2001, you are age 56.
- You terminate employment on July 1, 2001 when you are age 57.
- You are eligible for a deferred vested pension of \$1,000 per month at age 65.
- You do not decline pre-retirement survivor annuity coverage when you leave and that coverage remains in effect until you begin your pension.
- You begin your pension February 1, 2009 at age 65.
- Your spouse is age 64 when your pension begins.

Using the table, your reduction for pre-retirement survivor annuity coverage is calculated as follows: You did not decline pre-retirement survivor annuity coverage when you terminated employment in 2001 and this coverage remained in effect until you began your pension in 2009. Since the reduction for a year is based on your age on January 1 of that year, four of those calendar years -- 2001 through 2004 -- were subject to a 0.60% annual reduction, and four of those calendar years -- from 2005 through 2008 -- were subject to a 0.80% annual reduction. There is no charge for 2009 because that is the year during which your pension started. Therefore:

2001 – 2004 reduction	$\$1,000 \times .0060 \times 4 \text{ years} = \$24$
2005 – 2008 reduction	$\$1,000 \times .0080 \times 4 \text{ years} = \underline{\$32}$
Total Reduction:	$= \$56$

Unreduced monthly pension benefit at age 65	\$1,000.00
Less pre-retirement survivor annuity coverage cost	<u>- 56.00</u>
Amount of monthly pension at age 65 with permanent reduction for pre-retirement survivor annuity coverage	\$ 944.00
Less 9% reduction* for joint and 50% survivor annuity beginning at age 65 (\$944 x .09 = \$84.96)	<u>- 84.96</u>
Amount of your reduced monthly pension beginning at age 65	\$ 859.04
Spouse's lifetime benefit following your death (50% of your reduced monthly pension benefit beginning at age 65)	\$ 429.52

\* For the reduction factor that applies to your situation, call the Avaya Pension Service Center. When you call, you should be prepared to provide your age and your spouse's age.

### **If You Die After Your Pension Starts**

If you die while receiving pension benefits, any death benefit is paid according to the terms of the distribution option you were receiving at the time of your death.

## EMPLOYMENT-RELATED EVENTS

### If You Are Planning to Retire

If you are eligible for a service pension and planning to retire, you should request a commencement package from the Avaya Pension Service Center up to 90 days before your desired retirement date (see “When Pension Benefits Are Payable”).

### If You Are Rehired After You Begin Your Pension Benefit

Your pension payments under the Plan may be suspended, if you return to work after beginning your pension, and you are employed by:

- A participating company,
- A non-participating Avaya subsidiary, or
- An interchange company if you are covered by an interchange agreement and do not waive your rights under that agreement.

If your pension is suspended during your reemployment, you will not receive the suspended amounts. Under Plan rules, however, your prior service may be bridged.

The suspension rules are based in part on whether you have reached normal retirement age, which is generally age 65, when you are reemployed.

If you return to work for a participating company or a non-participating Avaya subsidiary after beginning your pension, and:

<b>You Are:</b>	<b>While you are on the active payroll, your pension benefit is:</b>
Less than normal retirement age, regardless of the number of hours worked in the month	Suspended for that month
Normal retirement age or older and paid for less than 40 hours in a calendar month	Paid for that month
Normal retirement age or older and paid for 40 or more hours in a calendar month	Suspended for that month

If you return to work after beginning your vested pension reduced for early commencement, the amount of your vested pension may be adjusted to reflect any suspension period after you returned to the active payroll.

### Return to Work Under the Mandatory Portability Agreement (MPA):

- If you return to work for an interchange company, are covered by the MPA and:

<b>You are:</b>	<b>While you are on the active payroll, your pension benefit based on net credited service recognized under the Plan is:</b>
Less than normal retirement age <i>(regardless of whether or not your net credited service from the Plan is bridged)</i>	Suspended
Normal retirement age or older and your net credited service from the Plan <i>is not bridged</i>	Paid by the Plan*
Normal retirement age or older and your net credited service from the Plan <i>is bridged</i>	Suspended under the Plan. (Remember, your entire benefit will be paid by the interchange company plan, including your benefit based on your net credited service under the Plan*).
* Even if you had not begun receiving your pension from the Plan, these rules will apply when you reach normal retirement age.	

- If you are hired by an interchange company and your net credited service from the Plan is bridged by the interchange company's pension plan, your pension benefit will be transferred to the interchange company's plan, you will no longer be a participant under the Plan and you will have no further rights under Avaya's pension plans.
- If you return to work for an interchange company and you are not covered by the MPA (or you waive coverage), your pension payments from the Plan will continue.
- If you are hired by a participating company and your net credited service under an interchange company's plan is bridged, your benefit under the interchange company's plan will be transferred to the Plan (unless you waive coverage). Your benefit under the Plan will be suspended, including the part based on interchange company service.

**If You Are Rehired After Receiving a Lump Sum Payment**

If you received a full or partial lump sum payment of your pension benefit and are rehired by a participating company into a position covered by the Service Based Program, you can repay the lump sum with interest and restore your old net credited service for purposes of calculating future pension benefits. Your repayment must be made in a single payment. Different repayment rules apply, based on the amount of your lump sum and the distribution date.

- If you received a lump sum payment with a present value of *\$5,000 or less*, you must repay the lump sum with interest before the later of six months after your date of rehire or the end of the fifth Plan Year after the year in which you received the lump sum.
- If you received a lump sum payment with a present value of *\$5,000 or more*, you must repay the lump sum with interest during the six months following your rehire.

If you repay the lump sum with interest during the required period, your old net credited service will apply (subject to applicable bridging rules) for all purposes, including calculating your future pension benefits.

If you received a partial lump sum payment, your annuity payment will be suspended while you are actively employed regardless of whether you repay your lump sum payment with interest.

If you are covered by the Account Balance Program when you are rehired and you repay your lump sum with interest, the repaid amount restores your original Service Based Program benefit.

### **If You Transfer**

If you transfer to another participating company, it will not affect your Plan participation.

If you transfer to a non-participating Avaya subsidiary, either directly or after a break in service, your continuous service with the non-participating Avaya subsidiary will be recognized under the Plan (subject to the applicable service bridging rules) for the following purposes:

- Eligibility for a service, immediate vested or disability pension,
- Attainment of the 15-year requirement for an immediately payable automatic pre-retirement survivor annuity,
- Determining the amount of any early commencement discount, and
- Bridging prior service, subject to the applicable service bridging rules.

Service with a non-participating Avaya subsidiary will *not* be recognized for:

- Calculating your benefit under the Plan, or
- Bridging prior service subject to the MPA.

If you are employed by a non-participating Avaya subsidiary that is less than 80% and more than 50% owned by Avaya, you may elect to begin your benefit under the Plan. If you elect to begin your pension benefit, service with the non-participating Avaya subsidiary after payment of your benefit starts will not be recognized for any purpose under the Plan.

If you are employed by a non-participating Avaya subsidiary that is less than 50% owned, your service with that entity will not be recognized for any purpose under the Plan. In addition, you may elect to begin receiving your pension under the Plan at any time.

***If You Transfer From the Service Based Program to The Avaya Inc. Pension Plan***

If you transfer from a position covered by the Service Based Program to one covered by The Avaya Inc. Pension Plan, your benefits under the Service Based Program are transferred to The Avaya, Inc. Pension Plan, and your pension benefits will be calculated under the terms of The Avaya Inc. Pension Plan.

***If You Transfer From The Avaya Inc. Pension Plan to the Service Based Program***

If you have been continuously employed by a participating company since December 31, 1998 and transfer from a position covered by The Avaya Inc. Pension Plan to one covered by the Service Based Program, your benefits under The Avaya Inc. Pension Plan are transferred to the Service Based Program.

If the transfer happened before January 1, 2004, your pension benefit will be calculated as follows:

<b>For the first year following the transfer</b>
An employee who does not complete one year of net credited service after his or her transfer will be entitled to a pension benefit for all net credited service before January 1, 2004 based on The Avaya Inc. Pension Plan rules in effect on the earlier of the employee's last day on Avaya's active payroll or December 31, 2003.
The employee's pension benefit will be based on the pension band assigned to the employee's job title/grade level/occupation on the day before his or her transfer, any pension includable supplemental payments paid to the employee during the 36-month period immediately before her or his transfer date, and his or her total net credited service on the earlier of the employee's last day on Avaya's active payroll or December 31, 2003.

<b>More than one year following the transfer</b>		
Once an employee completes more than one year of net credited service after his or her transfer to the Service Based Program, he or she will be entitled to a pension benefit that is the higher of the two listed below:		
The Service Based Program pension benefit based on all net credited service before January 1, 2004.	<i>or</i>	The frozen Avaya Inc. Pension Plan pension benefit.

If the transfer happens on or after January 1, 2004, your pension benefit will be determined under The Avaya Inc. Pension Plan rules in effect on the date of transfer. Your pension benefit will be based on the pension band assigned to your job title/grade level/occupation on the day before your transfer, any pension includable supplemental payments paid to you during the 36-month period immediately before your transfer date, and your total net credited service on your transfer date.

**If You Work Beyond Age 70½**

If you continue to work beyond age 70½, you will not receive your pension payments while you are still working. Your service, immediate vested, or vested pension payments will begin after your retirement or termination.

## IMPORTANT CONTACTS

Here are ways to get answers to your Plan questions.

### **Avaya Pension Service Center**

The Avaya Pension Service Center is the official center for all pension and pension-related services for participants in the Plan.

#### ***By Phone***

You can reach the Avaya Pension Service Center on any business day from 9:00 a.m. to 6:00 p.m., Eastern time as follows:

<b>Domestic Employees</b>	<b>International Employees</b>
Call 1-800-750-7300 to speak with a service representative.	To contact the Avaya Pension Service Center from international locations without access to toll-free numbers, call 1-904-791-2011 collect to speak with a service representative.

Hearing impaired employees may call 1-877-369-7596 to reach a telecommunications device for the deaf (TDD).

#### ***By Mail***

You may send written correspondence to the Avaya Pension Service Center by regular or express mail, at the following address:

The Avaya Pension Service Center  
P.O. Box 56225  
Jacksonville, FL 32241-6225

### Other Resources

The following sources have specific responsibilities, as explained below:

<b>Contact/Service Provided</b>	<b>Address</b>
<b>Domestic Relations Matters Group:</b> Handles matters relating to Qualified Domestic Relations Orders (QDROs) and subpoenas and interrogatories regarding the Plan.	Domestic Relations Matters Group Aon Consulting, Inc. 7th Floor 270 Davidson Avenue Somerset, NJ 08873 1-732-302-2178
<b>Avaya Inc. Employee Benefits Committee:</b> Serves as final review for Plan benefit claims.	Employee Benefits Committee Avaya Inc. 211 Mt. Airy Road Basking Ridge, NJ 07920
<b>Pension Plan Administrator:</b> Assists the Employee Benefits Committee in the administration of the pension provisions of the Plan including review of claims for pension benefits.	Pension Plan Administrator Avaya Inc. 211 Mt. Airy Road Basking Ridge, NJ 07920
<b>Investment Committee:</b> Invests the Plan's assets.	Investment Committee Avaya Inc. 211 Mount Airy Road Basking Ridge, NJ 07920 (908) 953-6000

## **OTHER IMPORTANT INFORMATION**

This section contains administrative information about the Plan and other details required under the terms of a federal law, the Employee Retirement Income Security Act of 1974, as amended (ERISA).

### **Claim and Appeal Procedures**

#### ***Claim Procedures***

Participants, their beneficiaries (if applicable) or any individual duly authorized by them have the right under ERISA and the Plan to file a written claim for benefits with the Pension Plan Administrator (see "Other Resources"). Claims for pension matters should be sent to the Pension Plan Administrator.

If a claim for benefits is denied in whole or in part, the claimant will receive a written notice of the decision from the Pension Plan Administrator within 90 days after the Pension Plan Administrator received the claim. The written notice will include:

- The specific reason(s) for the denial,
- Reference to the specific Plan provisions on which the denial was based,
- A description of any additional material or information necessary for the claimant to complete the claim and an explanation of why the material or information is necessary,
- A statement that you will be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim,
- Information about the steps to be taken if you, your dependent, or an authorized representative wishes to submit the claim for review, and
- A statement regarding your right to bring an action under Section 502(a) of the Employee Retirement Income Security Act of 1974, as amended (ERISA), 29 U.S.C. 1132(a).

If the Pension Plan Administrator needs more than 90 days to make a decision, you will receive a notice in writing within the initial 90-day period and explaining why more time is required. An additional 90 days (for a total of 180 days) may be taken if the Pension Plan Administrator sends this notice. The extension notice will show the date by which the decision of the Pension Plan Administrator will be sent.

If a claim for benefits is denied in whole or in part, an appeal process is available to you. You, your dependents or your authorized representative may appeal in writing within 60 days after the denial is received.

## **Appeal Procedures**

A claimant can appeal a denied claim. If you wish to file an appeal, you must do so in writing within 60 days of receiving notification of the decision or the Pension Plan Administrator. In connection with preparing your appeal, you or your representative can request, free of charge, copies of all documents, records, and other information relevant to your claim. If you believe an error has occurred, you can support your request by giving the reason you think there is an error. Also, whenever possible, send copies of any documents or records that support your appeal. Whether or not you can provide such additional information, your claim will be reconsidered after your request is received. Send a written request for review of any denied claim directly to the Secretary of the Employee Benefits Committee (see "Important Contacts").

The Employee Benefits Committee will conduct a review and make a final decision within 60 days after receiving the written request for review.

If special circumstances cause the Employee Benefits Committee to need more than 60 days to make a decision, a representative will notify you in writing within the initial 60-day period and explain why more time is required. An additional 60 days (for a total of 120 days) may be taken if the Employee Benefits Committee sends this notice.

The decision will be in writing and will include:

- The specific reason(s) for the denial,
- Reference to the specific Plan provisions on which the denial was based,
- A statement that you will be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim, and
- A statement regarding your right to bring an action under Section 502(a) of the Employee Retirement Income Security Act of 1974, as amended (ERISA), 29 U.S.C. 1132(a).

The Employee Benefits Committee shall serve as the final review committee under the Plan. However, you or your beneficiary may have additional rights under ERISA. Applicable law and the Plan's provisions require you to pursue all your claim and appeal rights on a timely basis *before* seeking any other legal recourse regarding claims for benefits.

The Employee Benefits Committee and Pension Plan Administrator have the full discretionary authority and power to control and manage all aspects of the Plan, to determine eligibility for benefits, to interpret and construe all terms and provisions of the Plan, to determine questions of fact and law, and to adopt rules for the administration of the Plan as they may deem appropriate in accordance with the terms of the Plan and all applicable laws.

## **Your Rights Under ERISA**

The Plan is both a defined benefit pension plan and a welfare plan under the Employee Retirement Income Security Act of 1974, as amended (ERISA). ERISA provides that all Plan participants shall be entitled to:

### ***Receive Information About Your Plan and Benefits***

Examine, without charge, at the Pension Plan Administrator's office and at other specified locations, all documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the Pension Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.

Receive a summary of the Plan's annual financial report. The Pension Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

Obtain a statement telling you whether you have a right to receive a benefit at normal retirement age (generally age 65) and, if so, what your benefits would be at normal retirement age if you stop working under the Plan now. If you do not have a right to a benefit, the statement will tell you how many more years you have to work to get a right to a benefit. This statement must be requested in writing and is not required to be given more than once every twelve months. The Plan must provide the statement free of charge.

### ***Prudent Actions by Plan Fiduciaries***

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including your employer, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a Plan benefit or exercising your rights under ERISA.

## **Enforce Your Rights**

If your claim for a Plan benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Pension Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Pension Plan Administrator.

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees; for example, if it finds your claim is frivolous.

## **Assistance with Your Questions**

If you have any questions about the Plan, you should contact the Pension Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the Employee Benefits Security Administration Brochure Request Line at 1-800-998-7542, on the Internet at <http://www.dol.gov/dol/ebsa/public/pubs/main.htm>, or by contacting the Employee Benefits Security Administration field office nearest you.

## **Plan Amendment or Termination**

The Board of Directors of Avaya Inc. (or its delegate) reserves the right to modify, suspend, change or terminate the Plan at any time. If the Plan were terminated, you could still have rights to future benefit payments, but you would not earn any further pension rights under the Plan, even if you continued employment with a participating company. Participants may also have certain rights to benefits insured by the Pension Benefit Guaranty Corporation.

If the Plan were terminated, the rights of all affected participants and beneficiaries to pension benefits computed as of the termination date would become nonforfeitable to the extent that there are sufficient assets in the pension trust fund to cover those benefits.

In the event of a Plan termination, Plan assets will be allocated to benefit categories in a particular order. Beginning with the benefit category that has first claim on Plan assets, payment will be made for:

- benefits for retirees or beneficiaries that are or could be in effect as of the beginning of the three-year period ending with the Plan's termination.
- benefits generally guaranteed by the Pension Benefit Guaranty Corporation (PBGC);
- benefits that are nonforfeitable (vested) under the Plan;
- all other benefits under the Plan.

Assets will be allocated to the categories in this order until assets run out.

Following termination of the Plan, any assets in the Disability Trust, after satisfaction of all liabilities for disability pensions under the Plan, may be used to provide other permissible benefits to eligible employees.

### **Benefits Cannot Be Assigned**

Generally, you or your beneficiary cannot assign or transfer amounts payable under the Plan, nor can amounts payable to you under the Plan be used to pay debts or obligations of any nature. However, the Plan is required to comply with court-issued Qualified Domestic Relations Orders (QDROs) and qualified tax levies. See the Domestic Relations Matters Group under "Important Contacts" for details on who to contact if your pension benefit is subject to a QDRO, or to obtain (without charge) a copy of the Plan's procedures governing QDROs.

### **No Contract of Employment**

The Plan does not constitute a contract of employment. Participation in the Plan will not give you the right to remain employed by a participating company.

### **Top Heavy Rules**

If the Plan becomes top heavy, special rules will apply. If the Plan ever becomes top heavy, you will be notified.

## **Benefit Limitations**

Federal regulations under Internal Revenue Code Section 415 limit the amount of benefits that can be paid to any individual from a pension plan. These limitations normally affect only the higher paid employees (or, in some cases, employees retiring at an early age) and are subject to periodic change by the IRS.

Additionally, federal regulations under Internal Revenue Code Section 401(a)(17) limit the annual amount of compensation used in computing the amount of benefit payable under the Plan.

In any event, any amounts to which you may be entitled that are in excess of these limits are paid under The Avaya Inc. Supplemental Pension Plan.

## **Pension Benefit Guaranty Corporation**

Your pension benefits under the Plan are insured by the Pension Benefit Guaranty Corporation (PBGC), a federal insurance agency. If the Plan terminates (ends) without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people will receive all of the pension benefits they would have received under the Plan, but some people may lose certain benefits.

The PBGC guarantee generally covers: (1) normal and early retirement benefits; (2) disability benefits if you become disabled before the Plan terminates; and (3) certain benefits for your survivors.

The PBGC guarantee generally does not cover: (1) benefits greater than the maximum guaranteed amount set by the law for the year in which the Plan terminates; (2) some or all of benefit increases and new benefits based on Plan provisions that have been in place for fewer than five years at the time the Plan terminates; (3) benefits that are not vested because you have not worked long enough for Avaya; (4) benefits for which you have not met all of the requirements at the time the Plan terminates; (5) certain early retirement payments (such as supplemental benefits that stop when you become eligible for Social Security) that result in an early retirement monthly benefit greater than your monthly benefit at the Plan's normal retirement age; and (6) non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay and severance pay.

Even if certain of your benefits are not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money the Plan has and on how much the PBGC collects from employers.

For more information about the PBGC and the benefits it guarantees, contact the PBGC's Technical Assistance Division, 1200 K Street N.W., Suite 930, Washington, D.C. 20005-4026 or call 202-326-4000 (not a toll-free number). TTY/TDD users may call

the federal relay service toll-free at 1-800-877-8339 and ask to be connected to 202-326-4000. Additional information about the PBGC's pension insurance program is available through the PBGC's Web site on the Internet at <http://www.pbgc.gov>.

## ADMINISTRATIVE INFORMATION

<b>Plan Name</b>	The official Plan name is The Avaya Inc. Pension Plan for Salaried Employees.
<b>Plan Sponsor</b>	Avaya Inc. 211 Mt. Airy Road Basking Ridge, NJ 07920
<b>Participating Employers</b>	Subsidiaries and affiliates for Avaya Inc. that have adopted the Plan are participating employers. You may find out if an employer is a participating employer or request a list of the participating employers by writing to the Pension Plan Administrator.
<b>Type of Administration</b>	The Plan is administered by the Employee Benefits Committee (the "EBC") and the Pension Plan Administrator appointed by the EBC to assist in the day-to-day administration. The Investment Committee is responsible for investing the Plan's assets.
<b>Pension Plan Administrator and Agent for Service of Legal Process</b>	The Pension Plan Administrator is the agent for service of legal process. The address and telephone number of the Pension Plan Administrator are:  Pension Plan Administrator Avaya Inc. 211 Mount Airy Road Basking Ridge, NJ 07920 (908) 953-6000 Legal process may also be served on the Trustee.
<b>Plan Records and Plan Year</b>	The Plan and all its records are maintained on a calendar year basis, beginning on January 1st and ending on December 31st of each year.
<b>Type of Plan</b>	The Plan is both a "defined benefit pension plan" and a "welfare plan" under ERISA. It is a defined benefit pension plan for service, immediate vested, service pension for disability and vested pension provisions. It is a welfare plan for purposes of providing disability pension payments.
<b>Employer Identification Number</b>	The Employer Identification Number assigned by the IRS to Avaya Inc. is 22-3713430.
<b>Plan Number</b>	The Plan numbers assigned by Avaya are: <ul style="list-style-type: none"> <li>• 001 for pensions paid from the pension trust fund, and</li> <li>• 536 for disability pensions paid from the Disability Trust.</li> </ul>

<b>Source of Payments</b>	<p>Service, immediate vested, service pension for disability and vested pensions are paid from the pension trust fund. The trustee of the pension trust fund is:</p> <p>The Bank of New York Mellon 135 Santilli Highway Everett, MA 02149</p> <p>Disability pensions are paid from the general assets of the participating employers.</p>
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## **APPENDIX A: TRANSITION LEAVE OF ABSENCE**

A Transition Leave of Absence (TLA) allows an eligible participant to attain service pension or immediate vested pension eligibility under the Plan by (a) completing the time required to attain the age and/or service requirements for such a pension and/or (b) satisfying the net credited service bridging rule that would bridge you to service that would satisfy the service requirement for such pension. The time on a TLA *is not* counted for any other purpose.

You are eligible for a TLA if you are within one year of the age and/or service requirements for a service pension or immediate vested pension and:

- You terminate from the active payroll (either voluntarily or involuntarily) under an Avaya force management program, or
- You are included in a group of employees whose work group becomes less than 50% owned by Avaya and you become employed by the new owner, if no pension assets are transferred in connection with the transaction, and service credit for your employment with Avaya is not recognized under the new owner's plan pursuant to the terms of the transaction.

Generally, you are *not* eligible for a TLA if you are already service pension or immediate vested pension eligible under the terms of the Plan. There is an exception to this rule. If you are already service pension eligible but you are within one year of the age and/or service requirement for an immediate vested pension, you are eligible for TLA. If you are already immediate vested pension eligible but you are within one year of the age and/or service requirement for a service pension, you are eligible for a TLA.

If you are eligible for a TLA, the TLA will begin the day after your termination and will end on the earliest of:

- The first anniversary of your termination date,
- The date you reach the later of the required age and/or service to become service pension eligible or the required age and/or service to become immediate vested pension eligible,
- Your death (in which case you may not reach service pension or immediate vested pension eligibility), or
- 12 months following your termination date reduced by the number of months and days of short-term disability benefits immediately before your termination date.

Your TLA will be canceled retroactive to your last day on the active payroll if you are (re)hired by:

- Avaya
- A participating company
- A non-participating Avaya subsidiary or
- Any interchange company if you are covered under an interchange agreement and you do not waive coverage.

If your TLA is cancelled, service credit will not be granted for any period of the TLA and you will not attain service pension eligibility based on your TLA.

The period of your TLA will be added to your actual age and service on your termination date solely for purposes of determining eligibility for a service pension. With a TLA, your service pension will be calculated based on your actual age and service and the Plan provisions in effect on your termination date. Any early commencement discount will be based on your actual age and service on your last day on the active payroll before the start of your TLA.

## **APPENDIX B: SPECIAL RULES AND AGREEMENTS AND YOUR PENSION**

### **Interchange Companies**

Interchange companies are companies covered by the Mandatory Portability Agreement (MPA), including AT&T Corp., Ameritech Corporation, Bell Atlantic Corporation, Telcordia Technologies (formerly Bell Communications Research, Inc.), BellSouth Corporation, NYNEX Corporation, Pacific Telesis Group, SBC Communications, Inc., US West, Inc., Cincinnati Bell Telephone Company, The Southern New England Telephone Company, AirTouch Cellular, AirTouch International, Lucent Technologies Inc., Avaya Inc., certain but not all of their subsidiaries, and other eligible companies as may be added from time to time.

The Avaya Pension Service Center maintains a list of all companies covered by the MPA.

### **Divestiture Interchange Agreement**

If you had Bell System service before the divestiture on January 1, 1984, that service was assigned to the pension plan of the former Bell System company who employed you on January 1, 1984. This applies even to previous service with a former Bell System company participating in the AT&T pension plans. If you were not employed by a former Bell System company on January 1, 1984, your previous service was assigned to the pension plan of the former Bell System company where you last worked.

### **Mandatory Portability Agreement (MPA)**

The MPA is an agreement effective January 1, 1985 between AT&T and the interchange companies. The agreement provides for mutual recognition of service credit and transfer of benefit obligations for certain employees who leave one interchange company and are later employed by another interchange company.

MPA rules only apply to employees hired on and after the date a company becomes an interchange company.

### **MPA Coverage**

Whether you are covered under the MPA depends on your employment status on each of the following dates:

- December 31, 1983
- The day you terminate employment from an interchange company

- The day you start working for another interchange company

To be covered by the MPA, you must meet the following tests:

- As of December 31, 1983, you must have been:
  - Employed by a Bell System company in a position covered by the Bell System Pension Plan or the Bell System Management Pension Plan (or on a leave of absence or layoff status and reinstated after December 31, 1983, but before expiration of the leave or the period of layoff recall rights), and
  - Employed in a non-supervisory position or, if in a supervisory position, with an annual base rate of pay (as defined below) of \$50,000 or less.
- As of your date of termination from an interchange company, you must be:
  - Employed in a position covered by the interchange company's occupational (represented) or management (salaried) pension plan, and
  - Employed in a non-supervisory position, or if in a supervisory position, with an annual base rate of pay as of your termination date of \$50,000 or less, as increased to reflect changes in the Consumer Price Index-Wages (CPI-W) since December 31, 1983.
- As of your date of hire by another interchange company, you must be:
  - Employed in a position covered by the interchange company's occupational (represented) or management (salaried) pension plan, and
  - Employed in a non-supervisory position, or if in a supervisory position, with an annual base rate of pay of \$50,000 or less, as increased to reflect changes in the CPI-W since December 31, 1983.

For purposes of the MPA, your *annual base rate of pay* equals your annual base salary rate as of the relevant point in time. It does not include lump sum merit awards, incentive compensation or similar lump sum payments.

If you are hired by an interchange company and are covered by MPA:

- Your benefit under your old employer's plan will be transferred to your hiring company's pension plan and you will receive credit for your service and compensation, if you go directly from one interchange company to another.
- Your service with your old interchange company employer may be bridged under the terms of the hiring interchange company's pension plan if you do not go

directly from one interchange company to another. If your service is bridged, your benefit under your old employer's pension plan will be transferred to your hiring company's pension plan and you will receive credit for your service and compensation.

- If your pension benefit is transferred from your old employer's pension plan to the hiring company's pension plan, your pension under the hiring company's plan will equal the greater of:
  - The sum of (a) your benefit under the transferring company's pension plan (based on your service when you left) and (b) your benefit (if any) under the hiring company's plan.
  - Your benefit under the hiring company's pension plan (based on your interchange company service and your eligible service with the hiring company).

**Important Note:** Remember that you *are not eligible* for the Service Based Program if you are hired by Avaya on or after January 1, 1999 regardless of whether or not you waive your rights under MPA. This means that you will never become a participant in the Service Based Program if you are hired on or after January 1, 1999 even if your service date under the MPA rules is before January 1, 1999.

If you are otherwise eligible for coverage under the MPA, and are hired by a company that is not an interchange company but it:

- Is a parent, subsidiary or affiliate of an interchange company, and
- Is a participating company in an interchange company pension plan or has a separate pension plan and that plan provides for the recognition of pension service (participation, vesting and benefit accrual) with an interchange company pension plan under an agreement generally comparable to the MPA,

then service with that non-interchange company is *not* recognized and is counted as a break in service for purposes of bridging service under the MPA. However, if you later bridge your prior service with an interchange company (i.e., by going to work for an interchange company and satisfying that company's service bridging rules), service with the above-described non-interchange company will also be recognized, for pension purposes (but not for any other benefit or personnel purposes).

## **Waiving MPA**

You can waive your rights under the MPA. If you are covered by the MPA, you will be provided with a detailed summary regarding the impact of such a waiver and given a chance to waive portability.

The decision to waive portability is a personal choice that you need to make based on your situation. When making the decision, you should consider the following:

- The waiver is irrevocable and waives all of your future rights under MPA, even if you are hired by another interchange company.
- If you receive pension payments from an interchange company pension plan, those pension payments will stop if you do not waive coverage under the MPA.
- If you are hired by a participating company on or after January 1, 1999, you are *not* eligible to participate in the Service Based Program, regardless of whether or not you waive your rights under the MPA.
- If you are eligible for retiree health and/or welfare benefits from an interchange company, those benefits could terminate if you do not waive coverage under the MPA.
- If you waive portability, you will be considered a new employee and will not receive credit for your service with other interchange companies except for limited vesting purposes.

### **Service Recognition Under Certain Corporate Transactions**

In certain instances, employees may receive additional service recognition for specific purposes as a condition of certain corporate transactions (e.g., acquisitions). If this applies to you, you will be informed in a separate document.

### **Foreign Affiliate and Joint Venture Employment**

If you are a salaried employee who is temporarily reassigned or granted a leave of absence to accept employment with a foreign affiliate, you may continue to participate in the Plan as long as you do not participate in another funded plan of deferred compensation related to compensation paid by the foreign affiliate.

If you are reassigned to a foreign affiliate or granted a leave of absence to work for a foreign entity or joint venture company that is not a foreign affiliate, compensation you earn while employed by such entity may be included in the calculation of a pension under the Plan, subject to limitations established by the Employee Benefits Committee.

If you are an eligible employee and you resign your employment with a participating company to work for a joint venture company that is not a foreign affiliate, you may have your first period of continuous service with the joint venture company credited toward your net credited service solely to determine eligibility for a service pension. (The service with the joint venture company will not be used in computing the amount of your pension.) You can only receive up to five years of service under this provision and your

service can only be used to satisfy the eligibility requirements for a service pension if all of the following conditions are met:

- You resign your employment with Avaya solely to accept employment with a joint venture company,
- You are within five years of satisfying the age and/or service eligibility requirements for a service pension when you terminate from Avaya,
- You are employed by the joint venture company immediately following your termination from Avaya, and
- You complete the age and/or service requirements for a service pension during your first period of service with the joint venture company.

## APPENDIX C: OLD AVERAGING PERIOD FORMULAS

### January 1, 1993 through December 31, 1997 Averaging Period Formula

Your benefit under the current formula equals the sum of:

Your total eligible compensation during 1/1/93 – 12/31/97	÷	Years in averaging period (five years)	X	Your net credited service as of the end of the averaging period	X	Benefit multiplier 1.4% (.014)
<i>PLUS</i>						
		Total eligible compensation for 1/1/98 through 12/31/98	X	Benefit multiplier 1.4% (.014)		

\*Any of your lump sum merit payments and team management incentive compensation plan awards that were paid in December 1997 count as compensation paid after December 31, 1998. This means such payments are not included for purposes of your averaging period, but are included as eligible compensation paid after the applicable averaging period.

### Transition Formula

If you have net credited service *before January 1, 1997*, your pension will also be calculated under the transition formula, which uses a January 1, 1991 through December 31, 1996 averaging period and net credited service through December 31, 2000.

Here is how your pension will be calculated using the transition formula:

Your total eligible compensation for January 1, 1991 – December 31, 1996	÷	Years in averaging period (six years)	X	Net credited service as of December 31, 2000 (or the date you terminate if earlier)	X	Benefit multiplier 1.6% (.016)
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### January 1, 1987 Through December 31, 1992 Averaging Period Formula

Your benefit under this formula equals the sum of:

Your total eligible compensation during 1/1/87 through 12/31/92	÷	Years in averaging period (six years)	X	Your net credited service as of the end of the averaging period	X	Benefit multiplier 1.6% (.016)
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PLUS

Total eligible compensation for 1/1/93 through 12/31/97	X	Benefit multiplier 1.6% (.016)
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### January 1, 1987 Through December 31, 1989 Averaging Period Formula

Your benefit under this formula equals the sum of:

Your total eligible compensation during 1/1/87 through 12/31/89	÷	Years in averaging period (three years)	X	Your net credited service as of the end of the averaging period	X	Benefit multiplier 1.5% (.015)
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PLUS

Total eligible compensation for 1/1/90 through 12/31/97	X	Benefit multiplier 1.6% (.016)
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### All Other Averaging Periods Formula

Your benefit under these formulas equals the sum of:

Your total eligible compensation during the averaging period*	÷	Years in averaging period	X	Your net credited service as of the end of the averaging period	X	Benefit multiplier 1.6% (.016)
<i>PLUS</i>						
Total eligible compensation after end of averaging period* through 12/31/97			X	Benefit multiplier 1.6% (.016)		

\* The averaging period is one of the following: January 1, 1984 through December 31, 1986; January 1, 1978 through June 30, 1985; October 1, 1977 through September 30, 1982; October 1, 1976 through September 30, 1981; or January 1, 1975 through December 31, 1979.