

HOW ACCOUNT BALANCE PROGRAM BENEFITS ARE PAID

Your ABP benefit is a single life annuity payable at normal retirement age based on the projected value of your ABP account at normal retirement age. How your ABP benefit is paid depends on a variety of factors, including the value of your vested ABP benefit and the distribution option you choose.

General Rules

If the present value of your vested ABP account 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 the payment of this benefit. If you receive such a lump sum distribution of your pension, neither you nor your spouse has any further rights to benefits under the Plan.

When your vested ABP benefit 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 employer's tax qualified retirement plan.
- A combination of the options listed above.

If the present value of your vested ABP benefit exceeds \$1,000 when your employment ends, your benefit will be paid in the normal form (see below) 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,
- 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; intend to continue such relationship indefinitely; and have no such relationship with anyone else, and
- Have joint responsibility for each other's welfare and financial obligations.

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.

Payment Options

If you have a spouse (as defined above) when your ABP benefit begins, the normal form of payment is the joint and 100% survivor annuity. You may, however, decline the joint and 100% survivor annuity and elect another distribution option with your spouse's written, notarized consent. If you do not have a spouse (as defined above) when your ABP benefit begins, your benefit 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 form available to you is the lump sum option. If you do not have a spouse but do have a domestic partner, the additional payment forms available to you are a lump sum, a joint and 50% survivor annuity or a joint and 100% domestic partner survivor annuity.

The four payment options available for a vested ABP benefit include:

- **Lump sum option.** You receive a single payment of your vested ABP benefit. If you take a lump sum distribution of your ABP benefit, neither you nor your spouse or beneficiaries 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 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, you will continue to receive the reduced monthly pension for life.

- **Joint and 100% 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 joint and 100% 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 begin receiving 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.

Calculating an Annuity Benefit

If you elect to receive your vested ABP benefit as an immediately payable monthly annuity, your ABP account will be converted to an immediately payable single life annuity. To convert your ABP account balance to a single life annuity, a hypothetical age 65 account balance is calculated by adding interest credits of 4% per year for any future years. This hypothetical age 65 account balance is then converted to a single life annuity payable at age 65 by applying the Account Balance Program's age 65 annuity factor. If you begin receiving annuity payments before age 65, your age 65 single life annuity will be reduced for early commencement by the Account Balance Program's early reduction factors because your benefit may be paid over a longer period.

If you elect the joint and 50% survivor annuity, the joint and 100% survivor annuity, or the joint and 100% domestic partner survivor annuity, your immediately payable single

life annuity is reduced based on your age and that of your spouse or domestic partner (as the case may be) when your payments begin because payments may be paid over two lifetimes -- yours and your spouse's or domestic partner's.

Example: Joint and 50% Survivor Annuity

The following is an example of an ABP benefit under the joint and 50% survivor annuity payment option. This example assumes:

- You are age 56 when your benefit begins.
- Your spouse (or domestic partner) is age 55 when your benefit begins.
- Your monthly immediately payable single life annuity is \$1,000.00.

Your monthly benefit as an immediately payable single life annuity	\$1,000.00
Less 6% reduction* for joint and 50% survivor annuity (\$1,000 x .06 = \$60)	<u>- \$60.00</u>
Reduced Monthly Benefit	\$940.00
Your spouse's (or domestic partner's) monthly benefit if you die first (\$940 x .50 = \$470)	\$470.00

* 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 spouse's age.