

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
- An immediate vested pension
- A disability 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 of the month 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 ¼% 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)	<u>- 417.90</u>
<i>Discounted Monthly Pension Benefit</i>	\$ 1,903.77

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 <u> </u> .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.