

## **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,
- 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 to the aforementioned requirements, the following criteria must be satisfied if applicable:

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

### **Service or Immediate Vested 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 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% domestic partner survivor annuity, the joint and 100% survivor annuity with your domestic partner, the ten-year certain annuity and a lump sum.

If you have a spouse when your pension begins, the normal form of payment is the joint and 50% survivor annuity. You may, however, decline the joint and 50% 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.** Under this option, you receive reduced monthly payments for life. These payments are reduced based on your age and the age of your spouse when your pension begins. If you die before your spouse, your spouse receives 50% of the reduced monthly payments for life. If you begin receiving your pension as a joint and 50% survivor annuity, your spouse when your pension begins is entitled to the survivor annuity even if you are later separated or divorced and one or both of you remarry. 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 50% 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 50% of the reduced monthly payments for life. If you

begin receiving your pension as a joint and 50% 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.

- **Joint and 100% 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 100% of the reduced monthly payments for life. If you begin receiving your pension as a joint and 100% 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.
- **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 joint and 50% survivor annuity. You may, however, decline the joint and 50% 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.** Under this option, you receive reduced monthly payments for life. These payments are reduced based on your age and the age of your spouse when your pension begins. If you die before your spouse, your spouse receives 50% of the reduced monthly payments for life. If you begin receiving your pension as a joint and 50% survivor annuity, your spouse when your pension begins is entitled to the survivor annuity even if you are later separated or divorced and one or both of you remarry. 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 50% 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 50% of the reduced monthly payments for life. If you begin receiving your pension as a joint and 50% 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.

- **Joint and 100% 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 100% of the reduced monthly payments for life. If you begin receiving your pension as a joint and 100% 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.
- **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 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 50% domestic partner survivor annuity and a lump sum.

If you have a spouse when payment of your vested pension begins, the normal form of payment is the joint and 50% survivor annuity. However, you may elect the single life annuity or a lump sum distribution instead of the joint and 50% survivor annuity with the written, notarized consent of your spouse.

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.** Under this option, you receive reduced monthly payments for life. These payments are reduced based on your age and the age of your spouse when your pension begins. If you die before your spouse, your spouse receives 50% of the reduced monthly payments for life. If you begin receiving your pension as a joint and 50% survivor annuity, your spouse when your pension begins is entitled to the survivor annuity even if you are later separated or divorced and one or both of you remarry. 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 50% 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 50% of the reduced monthly payments for life. If you begin receiving your pension as a joint and 50% 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.