VERIZON COMMUNICATIONS INC
Form DEFA14A
March 30, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

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Check the appropriate box:

¨ Preliminary Proxy Statement

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¨ Definitive Proxy Statement

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VERIZON COMMUNICATIONS INC.

(Name of Registrant as Specified in Its Charter)

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Mr. Patrick McGurn

Special Counsel

RiskMetrics Group

One Chase Manhattan Plaza 44th Floor

New York, New York 10005

Ms. Carol Bowie

Head of the Governance Institute

RiskMetrics Group

2099 Gaither Road

Rockville, MD 20850-4045

Dear Pat and Carol:

As Verizon s independent compensation consultant for the Human Resources Committee (the Committee) of Verizon s Board of Directors, the Committee asked that I reach out to continue our dialogue on Verizon s executive compensation program, including recent changes that the Committee has made.

This year, Verizon s Proxy Statement includes management s first proposal seeking an advisory vote related to executive compensation at its May 7, 2009 Annual Meeting of Shareholders. I would very much appreciate the opportunity to meet with you to share the Committee s views on Verizon s executive compensation program in the context of this important advisory vote and respond to any questions you may have. Enclosed is a copy of Verizon s 2009 Proxy Statement describing the company s executive compensation program.

In preparation for our discussion, I would like to highlight that Verizon s compensation program demonstrates sound governance practices, provides a direct linkage between pay and performance and effectively aligns the interests of shareholders and executives.

Sound Executive Compensation Practices

Verizon s Board of Directors has consistently implemented executive compensation practices that are focused on pay-for-performance, with an emphasis on creating long-term shareholder value. As a result of its ongoing review, the Committee has adopted best practices such as:

- Elimination of an employment agreement for the CEO;
- Elimination of guaranteed pension and supplemental retirement benefits and executive perquisites allowances;
- Adoption of a policy prohibiting the Committee s independent compensation consultant from doing any work for the Company; and
- Implementation of a policy to clawback incentive payments made to executives who engage in financial misconduct.

Over the past two years, Verizon has engaged in ongoing dialogue with you and its large institutional investors about the Company s executive compensation program. The Committee has taken into account those discussions when considering revisions to the Company s compensation practices. For example, beginning in 2008 Verizon:

- Established a single peer group (Related Dow Peers) to benchmark both total compensation opportunities and long-term stock performance. Reference to a single peer group strengthens the pay-for-performance comparison and provides improved transparency for shareholders;
- Focused the short-term incentive opportunities for the named executive officers on the same set of Company-wide performance measures, rather than multiple measures of business segment performance. The Committee believes that shareholders and the investment community generally assess Verizon based on Company-wide performance with respect to top line revenue growth and bottom line adjusted earnings per share; and
- Revised its stock ownership guidelines to further emphasize the importance of executive share ownership.

Financial Growth and Profitability

Verizon achieved strong financial and operating performance, despite a recessionary economy and a high level of competition. For 2008, Verizon*:

- Increased consolidated adjusted total revenue by over 5%;
- Increased adjusted EPS by more than 7%;
- Invested more than $17 billion in future growth;
- Increased its dividend by 7%; and
- Produced industry leading results in wireless net retail customer additions.

In addition, Verizon outperformed its market benchmarks over the three-year long-term incentive period. From 2006-2008, Verizon s total shareholder return was 35%, compared with a median decline of 12% for the Related Dow Peers and a decline of 23% for the S&P 500 index.

Linkage between Pay and Performance

Verizon s executive compensation is directly linked to the Company s performance. Verizon s compensation programs are designed so that total compensation is heavily weighted toward incentive pay using a mix of performance measures that discourages executives from taking undue risks to achieve short-term goals at the expense of the Company s long-term sustainability. Only 10% of Verizon s senior

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Revenue and EPS data are derived on the same basis used to establish Verizon s performance targets, which include non-GAAP adjustments. For 2008, (i) consolidated adjusted total revenue differs from consolidated total revenue due to reclassifications made to reported revenues to reflect comparable operating results for the spin-off of the wireline segment s non-strategic local exchange and related business assets in Maine, New Hampshire and Vermont, and (ii) adjusted EPS excludes merger integration costs, access line spin-off related charges, investment-related charges and severance, pension and benefit charges.

executives total compensation opportunity is made up of base salary. Approximately 90% of their total compensation opportunity is made up of incentive pay with approximately:

- 70% based on three-year total shareholder return in order to evaluate long-term strategies and the effect on value for shareholders; and

- 20% based on achievement of challenging annual performance metrics.

Verizon had strong operational and financial performance in 2008. However, the Committee approved payouts under the Short-Term Incentive Plan at 5% below their targeted value. Verizon s Long-Term Incentive Plan is based on performance over a three-year period. For the three-year period from 2006-2008, Verizon s total shareholder return ranked above the 60th percentile when compared to its market benchmarks. As a result, the Committee approved award payouts for the 2006-2008 long-term award cycle at 23% above the targeted grant levels.

Shareholder Approval of Short- and Long-Term Incentive Plans

In addition to the advisory vote on compensation, Verizon s incentive plans are being submitted for shareholder approval at the 2009 Annual Meeting. These plans also reflect sound compensation practices. For example, the Long-Term Incentive Plan prohibits any repricing of options without shareholder approval and its provisions are in alignment with RiskMetrics Group s guidelines. Approval of the incentive plans will also allow the Company to offer performance-based awards that are tax deductible under Internal Revenue Code Section 162(m).

I will be contacting you shortly to schedule a discussion regarding Verizon s executive compensation program. The Committee and I appreciate your review of the proposals in the enclosed Proxy Statement.

Sincerely,

/s/ Yvonne Chen
Yvonne Chen
Managing Director