UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
CORPORATION FINANCE

March 8, 2018

Arthur H. Kohn
Cleary Gottlieb Steen & Hamilton LLP
akohn@cgsh.com

Re: Verizon Communications Inc.
Incoming letter dated December 28, 2017

Dear Mr. Kohn:

This letter is in response to your correspondence dated December 28, 2017 concerning the shareholder proposal (the "Proposal") submitted to Verizon Communications Inc. (the "Company") by the Association of BellTel Retirees Inc. (the "Proponent") for inclusion in the Company's proxy materials for its upcoming annual meeting of security holders. We also have received correspondence on the Proponent's behalf dated February 26, 2018. Copies of all of the correspondence on which this response is based will be made available on our website at http://www.sec.gov/divisions/corpfin/cf-noaction/14a-8.shtml. For your reference, a brief discussion of the Division's informal procedures regarding shareholder proposals is also available at the same website address.

Sincerely,

Matt S. McNair
Senior Special Counsel

Enclosure

cc: Cornish F. Hitchcock
Hitchcock Law Firm PLLC
conh@hitchlaw.com

March 8, 2018

Response of the Office of Chief Counsel
Division of Corporation Finance

Re: Verizon Communications Inc.
Incoming letter dated December 28, 2017

The Proposal urges the board to adopt a policy that prohibits the practice of paying above-market earnings on the non-tax-qualified retirement saving or deferred income account balances of senior executive officers.

We are unable to concur in your view that the Company may exclude the Proposal under rule 14a-8(i)(3). We are unable to conclude that you have demonstrated objectively that the Proposal is materially false or misleading. Accordingly, we do not believe that the Company may omit the Proposal from its proxy materials in reliance on rule 14a-8(i)(3).

We are unable to concur in your view that the Company may exclude the Proposal under rules 14a-8(i)(5) and 14a-8(i)(7). We note that the no-action request does not include a discussion of the board's analysis and, as a result, we do not have the benefit of the board's views on these matters. Accordingly, we do not believe that the Company may omit the Proposal from its proxy materials in reliance on rules 14a-8(i)(5) and 14a-8(i)(7).

Sincerely,

Caleb French
Attorney-Adviser

DIVISION OF CORPORATION FINANCE
INFORMAL PROCEDURES REGARDING SHAREHOLDER PROPOSALS

The Division of Corporation Finance believes that its responsibility with respect to matters arising under Rule 14a-8 [17 CFR 240.14a-8], as with other matters under the proxy rules, is to aid those who must comply with the rule by offering informal advice and suggestions and to determine, initially, whether or not it may be appropriate in a particular matter to recommend enforcement action to the Commission. In connection with a shareholder proposal under Rule 14a-8, the Division's staff considers the information furnished to it by the company in support of its intention to exclude the proposal from the company's proxy materials, as well as any information furnished by the proponent or the proponent's representative.

Although Rule 14a-8(k) does not require any communications from shareholders to the Commission's staff, the staff will always consider information concerning alleged violations of the statutes and rules administered by the Commission, including arguments as to whether or not activities proposed to be taken would violate the statute or rule involved. The receipt by the staff of such information, however, should not be construed as changing the staff's informal procedures and proxy review into a formal or adversarial procedure.

It is important to note that the staff's no-action responses to Rule 14a-8(j) submissions reflect only informal views. The determinations reached in these no-action letters do not and cannot adjudicate the merits of a company's position with respect to the proposal. Only a court such as a U.S. District Court can decide whether a company is obligated to include shareholder proposals in its proxy materials. Accordingly, a discretionary determination not to recommend or take Commission enforcement action does not preclude a proponent, or any shareholder of a company, from pursuing any rights he or she may have against the company in court, should the company's management omit the proposal from the company's proxy materials.

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26 February 2018

Office of the Chief Counsel
Division of Corporation Finance
Securities & Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

By Electronic mail: shareholderproposals@sec.gov

Re: Shareholder proposal to Verizon Communications Inc. from Association of BellTel Retirees

Dear Counsel:

I write on behalf of the Association of BellTel Retirees (the "Association") in response to a letter from counsel for Verizon Communications Inc. ("Verizon" or the "Company") dated 28 December 2017 ("Verizon Letter") in which Verizon advises that it intends to omit the Association's proposal (the "Proposal") from the Company's 2018 proxy materials. The Association did not learn of Verizon's letter until last week, nearly two months later, and we appreciate whatever consideration the Division may be able to provide to the points set out below.

The Proposal

The Proposal recommends an executive compensation policy that would limit company savings plan matching contributions for senior executive officers to 6% of their base salary and preclude future contributions based on deferral of short-term bonus or long-term incentive compensation. The Proposal states:

> **RESOLVED:** The shareholders of Verizon Communications, Inc. urge our Board of Directors to adopt a policy that prohibits the paying of above-market earnings on the non-tax-qualified retirement savings or deferred income account balances of senior executive officers. The proposal should be applied prospectively and apply only to senior executive officers in a manner that does not interfere with any

contractual rights.

The Supporting Statement explains the focus on "above-market earnings," a form of compensation that must be disclosed under the Commission's rules on executive compensation disclosures. The supporting statement expresses the view that a "costly and unjustifiable feature is the payment of an above-market rate of return on the multi-million dollar supplemental non-tax-qualified savings and deferred income account balances of senior executives."

The supporting statement also quotes a comment from Institutional Shareholder Services, which wrote in connection with Verizon's 2017 annual meeting that the payment of "above-market or preferential earnings to executives . . . increases the ultimate cost to the plan to shareholders and is not consider a best practice. The supporting statement concludes with the view that above-market earnings on non-tax-qualified accounts are not based on performance and that gross disparities between senior executive pay and that of lower-level employees can create morale and reputation issues.

Verizon argues that the entire Proposal may be omitted from the Company's 2018 proxy materials under Rule 14a-8(i)(3) because it is materially false and misleading in violation of Rule 14a-9. With respect to the (i)(5) and (i)(7) exclusions, Verizon eschews reliance on the recently issued *Staff Legal Bulletin 14I* and apparently relies on existing precedent. We address each point in turn.

The proposal cannot be excluded under Rule 14a-8(i)(3).

As an initial matter, Verizon's claim that it can properly exclude the Proposal *in toto* runs contrary to the Division's policy set forth in cited *Staff Legal Bulletin 14B.* Verizon's concern centers on a belief that the Proposal inaccurately describes "above-market earnings" with an inference that such compensation is not unduly "preferential" towards senior executives. Even assuming Verizon's claims about the inference that shareholders will reasonably draw is true (and they are not, as demonstrated below), *Staff Legal Bulletin No. 14B* clearly states that it is most "appropriate under rule 14a-8 for companies to address these objections in their statements of opposition." *Id.* Specifically–

> [W]e believe that it would not be appropriate for companies to exclude supporting statement language and/or an entire proposal in reliance on rule 14a-8(i)(3) in the following circumstances:
>
> • the company objects to factual assertions because they are not supported;
> • the company objects to factual assertions that, while not materially false or misleading, may be disputed or countered;

• the company objects to factual assertions because those assertions may be interpreted by shareholders in a manner that is unfavorable to the company, its directors, or its officers; and/or. . .

We believe that it is appropriate under rule 14a-8 for companies to address these objections in their statements of opposition. [Emphasis added.]

In addition, if specific words or phrases may be deemed problematic, a proponent is permitted to make minor wording changes.

Turning to the Association's Proposal, the recommendation is adoption of a policy "that prohibits the practice of paying above-market earnings on the non-tax-qualified retirement saving or deferred income account balances of senior executive officers." Verizon asserts that by using the same description ("above-market earnings") that Verizon itself uses each year in its Proxy Statement (specifically, in its Summary Compensation Table ("SCT") and associated footnote), the Association "strongly suggests an incorrect meaning for the phrase." (Verizon Letter at 2). Verizon argues that this is misleading since the Proxy Statement's disclosure of "above-market earnings" has a technical meaning that does not necessarily mean Verizon is paying a rate of return on senior executive's non-qualified accounts that is actually higher than the return on a comparable investment.

This argument does not withstand scrutiny. Verizon's attempt to conflate two different concepts of "above-market earnings" misrepresents the Association's Proposal, as well as the criticism of Verizon's practice in the compensation analysis published last year by Institutional Shareholder Services ("ISS"), which is quoted in the supporting statement. Both the Association and ISS are quite clearly referring literally to Verizon's disclosure that it pays "above-market earnings" to senior executives – $100,855 to its CEO alone in 2016 – *as that payment is defined by SEC regulation.* The Association's supporting statement makes multiple page references to Verizon's 2017 proxy statement in connection with the term "above-market earnings," which references indicate that the phrase is being used as a term of art. The proxy statement that Verizon will soon issue will presumably use the same phrase with the same meaning and explanation as in 2017.

Of course, there could be endless debate about the appropriate "market rate" on bond funds, or on any security, since that depends on many factors. But in this context, the phrase is being used with the meaning that Verizon discloses in its SCT each year, using the SEC definition of the term. Verizon acknowledges as much in its Letter (at 3):

interest on deferred compensation is above-market only if the rate of interest exceeds 120% of the applicable federal long-term rate,

> with compounding (as prescribed under section 1274(d) of the Internal Revenue Code, (26 U.S.C. 1274(d))) at the rate that corresponds most closely to the rate under the registrant's plan at the time the interest rate or formula is set. In the event of a discretionary reset of the interest rate, the requisite calculation must be made on the basis of the interest rate at the time of such reset, rather than when originally established.

Indeed, even if the disclosure of "above-market earnings" in a Proxy Statement did not have a specific and SEC-defined meaning, no shareholder (nor ISS) could be misled by the Association's use of the term in this context since Verizon itself explains why the compensation is considered "above-market" in one of the four Notes that are part of the Proxy Statement's Summary Compensation Table (2017 Proxy, p. 50 n. 3):

> The above market earnings consist of earnings on amounts that the individual has elected to invest in a hypothetical investment option offered to all participants under the nonqualified deferred compensation plans that earns a return rate equal to the long-term, high-grade corporate bond yield average as published by Moody's Investors Services. *The earnings are considered above market in accordance with SEC rules because the interest* crediting rate for this investment option (which for 2016 was approximately 4.18% annually) *exceeded 120% of the corresponding applicable federal long-term rate established by the Internal Revenue Service* (which for 2016 was 2.25%).

Verizon goes on to claim that it would be unfair to suggest that the interest Verizon pays over and above "120% of the applicable federal long-term rate" is "above-market" because that long-term federal bond rate was set at the time Verizon set up the Moody's index as a plan option. This argument is irrelevant to whether Verizon is crediting senior executive accounts with "above-market earnings" as defined for the purpose of compensation disclosure in the Proxy. In addition, the Regulation S-K instruction quoted above permits Verizon to "reset" the rate at any time. It is understandable that Verizon has chosen not to do so, since the "applicable federal long-term rate" is far lower today than when first set in 2004 – and therefore Verizon's reported payment of "above-market earnings" would be even larger. In any case, it's Verizon's choice – and either way it's an "above-market" amount as defined by the securities laws and reported to shareholders.

Moreover, in a footnote to the SCT, Verizon states it is reporting "above-market earnings" on deferred compensation – but it does not explain further. Proponents (and other shareholders) have no way of knowing that Verizon's plan uses a "Moody's investment option" based on an index of corporate bond rates" that

historically return well above an index of long-term federal securities. What the Association and ISS do know is that SEC rules define the amount considered to be "above-market" and require it to be disclosed as a distinct form of compensation. The Proposal literally describes that compensation using exactly the same words used in Verizon's compensation tables and also used in Regulation S-K.

Even if the investment options provided to senior executives were relevant here, proponents (and other shareholders) have no way of knowing that Verizon's plan credits senior executives' notional accounts using a "Moody's investment option [] based on an index of corporate bond rates" (Verizon Letter at 3) that historically returns well above an index of long-term federal securities. What the Association and ISS *do* know is that SEC rules define the amount considered to be "above-market" and require it to be disclosed as a distinct form of compensation. The Proposal literally describes that compensation using exactly the same words used in Verizon's compensation tables and also used in Regulation S-K.

More critically, even if Verizon is correct that its Moody's investment option is yielding a return comparable to what other investors could receive on the market today, that return "*is above-market [to the extent] the rate of interest exceeds 120% of the applicable federal long-term rate*" (Regulation S-K, from above), which is precisely why it is separately disclosed to shareholders in the proxy.

Finally, and without conceding the point, should the Division concur with Verizon that the Supporting Statement is misleading as written, the Association offers two straightforward changes to eliminate any potential misunderstanding. Verizon's complaint focuses almost entirely on the wording of Institutional Shareholder Service's analysis, as quoted in the Supporting Statement – despite the fact we believe this is clearly presented as the opinion of ISS, an expert source of such analysis; nevertheless, if the Staff should agree that an amendment is needed, we propose to delete the following phrases:

> Proxy advisor Institutional Shareholder Services flagged this practice in its 2017 proxy analysis report, stating that ~~Verizon "provided guaranteed earnings rates on deferred compensation that are above what can be earned in the general marketplace.~~ This non-performance-based benefit creates additional costs to shareholders."
>
> The ISS report also notes that the payment of "above-market ~~or preferential~~ . . . earnings to executives . . . increases the ultimate expense of the plan to shareholders and is not considered a best practice."

The Proposal may not be excluded under Rule 14a-8(i)(5).

Verizon argues that executive compensation – or at least the portion of such

compensation at issue here – "relates to operations" that account for a very small a percentage of the Company's assets, net earnings and gross sales and that are "not otherwise significantly related to the company's business."

The argument fails at the threshold because this exclusion focuses on a company's "operations," i.e., the products and services that account for a company's core business, in this case, telecommunications.

This interpretation is apparent if one traces the evolution of the (i)(5) exclusion. The (i)(5) exclusion was adopted in its current form in a 1983 rulemaking. Prior to that time, the exclusion focused on matters "not significantly related" to a company's business without providing a quantitative benchmark. A 1972 rulemaking amended then-Rule 14a-8(c)(2)(ii) to authorize the exclusion of a "recommendation, request, or mandate that action be taken with respect to any matter, including a general economic, political, racial, religious, social or similar cause, that is not significantly related to the business of the issuer or is not within the control of the issuer." Release No. 9784 (Sept. 22, 1972), 1972 WL 125400. The Commission explained that the "not significantly related" language was intended to provide an "objective" standard "to the extent feasible." *Id.*

In 1976 the Commission considered, but rejected, the idea of adopting a purely economic standard for the (c)(5) exclusion, noting that issues such as "shareholder rights" or "ethical issues such as political contributions" may be significantly related to a company's business, even if the economic impact of such topics is small. *Adoption of Amendments Relating to Proposals by Security Holders*, Release No. 34-12099, 41 Fed. Reg. 52994, 52997 (Dec. 3, 1976).

In 1982 the Commission proposed amending the (c)(5) exclusion to add the "five percent" economic standard that now appears in the (i)(5) exclusion in addition to the "significantly related" language, which would now say "otherwise significantly related." *Proposed Amendments to Rule 14a-8 Under the Securities Exchange Act of 1934 Relating to Proposals by Securities Holders*, Release No. 34-19135 (Oct. 26, 1982), 47 Fed. Reg. 47420. The final rule adopted the language of the (c)(5) exclusion "as proposed" in that 1982 release. *Amendments to Rule 14a-8 Under the Securities Exchange Act of 1934 Relating to Proposals by Securities Holders*, Release No. 34-20091 (Aug. 25, 1983), 48 Fed. Reg. 38218, 38220.

In *Lovenheim v. Iroquois Brands, Ltd.*, 618 F. Supp. 554 (D.D.C. 1985), a court enjoined a company that sold paté de foie gras from omitting a proposal dealing with force-feeding of animals used to make the paté. The court acknowledged that the amount of paté sold was a small percentage of the company's assets and net sales. Nonetheless the court held that the standard for omitting a proposal under the (c)(5) exception was not strictly an economic test. *Lovenheim* did not base its decision on a finding that animal cruelty was, as an abstract

proposition, an important "ethical or social" issue. Rather, the court was careful to ground its opinion in the nature of the company's business, noting (at n.16), that the result would be different if the issue were "ethically significant in the abstract but had no meaningful relationship to the business" of the company.

Lovenheim was criticized by companies, and the Commission noted in a 1997 rulemaking the complaint that companies are being required "to include too many proposals of little or no relevance to their business." *Amendments to Rules on Shareholder Proposals*, Release No. 34-39093, 62 Fed. Reg. 50682, 50687 (Sept. 26, 1997). The Commission thus proposed to rewrite the (c)(5) exclusion to "apply a purely economic standard" if the proposal "relates to a matter involving the purchase or sale of goods or products" below a specified threshold, measured in terms of dollars or percentage of "gross revenues or total assets." The proposed rule would have deleted the "otherwise significantly related" language. *Id.* at 50686, 50704 Notwithstanding such statements, the Commission issued a final rule in 1998 that renumbered by otherwise made no change in the (c)(5) exclusion. The Commission gave no explanation for this decision apart from noting that public comments had been divided and various commenters had criticized both the new economic test and also the proposed elimination of the "otherwise significantly related" language. *Amendments to Rules on Shareholder Proposals*, Release No. 34-40018, 63 Fed. Reg. 29106, 29133 (May 28, 1998).

Thus, the (i)(5) proposal does not permit the exclusion of a proposal on the basis of the "purely economic standard" set out in the five percent threshold criteria. Verizon predictably argues that the topic here is such a small item that it cannot have a significant relationship to the Company's business. This misstates the nature of the issue. The issue is senior executive compensation, as well as the prevalent theory that companies and their shareholders should "pay for performance." Whether Verizon is "paying for performance" is the central question here. Along the same line, we note that companies generally justify high levels of compensation on the theory that the need to compete for the best available executive talent. Presumably Verizon's ability to compete for top-notch talent is "significantly related" to the Company's business.

<u>The Proposal may not be excluded "ordinary business" under Rule 14a-8(i)(7).</u>

The Division has long viewed executive compensation as falling outside the parameters of the "ordinary business" exception. This view has not changed even if a company does rely on *Staff Legal Bulletin 14I*. In *Johnson & Johnson* (2 February 2018) the proposal recommended that litigation costs not be backed out of metrics used to compute senior executive compensation. Relying on that *Bulletin* the company argued that this proposal could be omitted because it fit within the "legal compliance" pigeonhole within the (i)(7) exclusion. The Division denied relief, explaining that "the Proposal focuses on senior executive compensation." See also

AmerisourceBergen Corp. (UAW) (11 January 2018) (declining relief as to a clawback proposal).

The Proposal here deals with one aspect of senior executive compensation that raises issues about whether Verizon is indeed "paying for performance." Questions about the wisdom of this practice are thus on a par with questions about other aspects of a company's executive compensation policies that shareholder have considered over the years, *e.g.*, clawback of unearned incentive pay, accelerated vesting of such pay after a change in control.

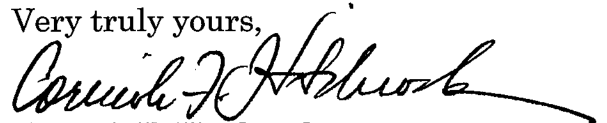
Conclusion

For these reasons, we respectfully ask you to advise Verizon that the Division does not concur that the Association's Proposal may be omitted under any of the cited exclusion.

Should the Division disagree as to specific wording issues Verizon raises involving the (i)(3) exclusion, the Association is willing to make the minor wording changes as shown at page 5, *supra*.

Thank you for your consideration of these points. Please feel free to contact me if any additional information would be helpful.

Very truly yours,



Cornish F. Hitchcock

cc: Arthur H. Kohn, Esq.

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December 28, 2017

By email to shareholderproposals@sec.gov

U.S. Securities and Exchange Commission
Division of Corporation Finance
Office of Chief Counsel
100 F Street, N.E.
Washington, D.C. 20549

Re: Verizon Communications Inc. 2018 Annual Meeting
Shareholder Proposal of the Association of BellTel Retirees Inc.

Ladies and Gentlemen:

We are writing on behalf of our client Verizon Communications Inc., a Delaware corporation ("Verizon"), pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934, as amended, to notify the Staff of the Division of Corporation Finance (the "Staff") of the Securities and Exchange Commission (the "Commission") of Verizon's intention to exclude the shareholder proposal and supporting statement (the "Proposal") submitted by the Association of BellTel Retirees Inc. (the "Proponent"), from the proxy materials to be distributed by Verizon in connection with its 2018 annual meeting of shareholders (the "2018 proxy materials"). A copy of the Proposal is attached as Exhibit A.

In accordance with Section C of Staff Legal Bulletin No. 14D (November 7, 2008) ("SLB 14D"), we are emailing this letter and its attachments to the Staff at shareholderproposals@sec.gov. In accordance with Rule 14a-8(j), we are submitting this letter not less than 80 calendar days before Verizon intends to file its definitive 2018 proxy materials with the Commission and simultaneously sending a copy of this letter and its attachments to the Proponent as notice of Verizon's intent to omit the Proposal from the 2018 proxy materials. Rule 14a-8(k) and Section E of SLB 14D provide that shareholder proponents are required to send companies a copy of any correspondence that the shareholder proponent elects to submit to the Commission or the Staff. Accordingly, we are taking this opportunity to remind the Proponent that if the Proponent submits correspondence to the Commission or the Staff with respect to the Proposal, a copy of that correspondence should concurrently be furnished to the undersigned on behalf of Verizon.

I. Introduction

The Proposal requests that the Verizon Board of Directors ("Board") "adopt a policy that prohibits the practice of paying above-market earnings on the non-tax-qualified retirement saving or deferred income account balances of senior executive officers."

Preliminarily, we note that the Proposal very clearly suggests that the compensation identified in the proxy statement as "above-market earnings" represents earnings in investments that exceed the returns in today's market. That suggestion is incorrect. The investment option that is the focus of this Proposal is an index of corporate bond rates as published by Moody's Investor Services, Inc. (the "Moody's investment option"), so the returns are entirely reflective of, and do not constitute a premium above, today's market for loans to large corporations such as Verizon (or other customary and routine market indices). In addition, as the Commission's Instruction 2 to Item 402(c)(2)(viii)(B) states, the determination of whether a rate of interest is "above-market" is determined by the rate at the time the rate or formula was set, not the current plan rate. These issues make the Proposal fundamentally misleading.

We hereby respectfully request that the Staff confirm that no enforcement action will be recommended against Verizon if the Proposal is omitted in its entirety from Verizon's 2018 proxy materials for the following reasons:

(i) Rule 14a-8(i)(3), because the Proposal is misleading in violation of Rule 14a-9,

(ii) Rule 14a-8(i)(5), because the Proposal relates to company operations that account for less than 5% of each of Verizon's total assets, net earnings and gross sales as of the end of the most recent fiscal year and is not otherwise significantly related to Verizon's business, and

(iii) Rule 14a-8(i)(7), because the Proposal relates to an ancillary feature of Verizon's Executive Deferral Plan (the "EDP"), which is a matter relating to Verizon's ordinary business operations and does not otherwise raise a significant policy issue for Verizon.

II. The Proposal's references to "above-market earnings" do not reflect the technical meaning of that phrase as it is required to be used in Verizon's proxy materials

Rule 14a-8(i)(3) permits a company to omit a shareholder proposal from its proxy materials if the proposal or supporting statement is contrary to any of the Commission's proxy rules, including Rule 14a-9, which prohibits materially false or misleading statements in proxy materials.

As previewed above, the Proposal strongly suggests an incorrect meaning for the phrase "above-market earnings" – i.e., that the phrase refers to earnings that exceed investment returns in today's market. For example, the supporting statement quotes the Institutional Shareholder Services 2017 proxy analysis report as saying that Verizon "provided guaranteed earnings rates on deferred compensation that are above what can be earned in the general marketplace" and also describes such above-market amounts as "preferential earnings to executives." The Proposal mistakenly suggests that Verizon's proxy statement uses the phrase "above-market earnings" in a way that reflects its ordinary meaning. In fact, the phrase "above-market earnings" has a specific technical meaning under the applicable securities laws requirements that is different from its ordinary meaning. Instruction 2 to Item 402(c)(2)(viii)(B) of Regulation S-K (the "Instruction")

states that:

> interest on deferred compensation is above-market only if the rate of interest exceeds 120% of the applicable federal long-term rate, with compounding (as prescribed under section 1274(d) of the Internal Revenue Code, (26 U.S.C. 1274(d))) at the rate that corresponds most closely to the rate under the registrant's plan at the time the interest rate or formula is set. In the event of a discretionary reset of the interest rate, the requisite calculation must be made on the basis of the interest rate at the time of such reset, rather than when originally established.

As a result, the Proposal is materially misleading with respect to both (i) the rate of return implied by the phrase "above-market earnings" (i.e., in fact, the rate of return credited under the EDP is not preferential compared to today's corporate borrowing rates or other customary and routine market indices) and (ii) the timing of the comparison to market rates (i.e., the comparison to today's market is irrelevant for purposes of the phrase "above-market earnings" as it is used in Verizon's proxy statements).

With respect to the "above-market earnings" disclosed in the Summary Compensation Table in Verizon's proxy statements, these amounts reflect the return credited on the portion of deferred compensation that participants in the EDP elected to treat as invested in the Moody's investment option, which is one of 28 investment options offered under the EDP. According to the Verizon information sheet describing the Moody's investment option:

> This investment option provides plan participants an opportunity to earn a return equal to the long-term, high-grade corporate bond yield average as published by Moody's Investor Services, Inc. The investment return is adjusted quarterly, utilizing the published rate in effect on the last business day of the prior quarter. After adjustment, participant balances for the subsequent three months earn the same fixed interest rate yield without regard to price fluctuations that may be occurring in the U.S. bond market.

Thus, the return under the Moody's investment option is based on an index of corporate bond rates in today's market, which is, in fact, a market rate of return, and not above-market earnings in the usual meaning of that phrase.

With respect to the timing of the comparison to market rates, the Instruction clearly contemplates that the determination of whether an amount is "above-market" for purposes of the technical definition is based on a comparison of the plan interest rate to the applicable federal long-term rate at the time that such plan interest rate or formula was originally established (or in the case of a discretionary reset of such rate, at the time of such reset). The formula for the plan rate for the Moody's investment option was set in 2004, when the plan was established, and has not been discretionarily reset since then. Accordingly, the Proposal's suggestion that the plan rate is above today's market rates is incorrect, since applicable securities laws requirements specifically define the "above-market earnings" comparison *not* to correspond to today's market.

For the reasons discussed above, Verizon believes that the Proposal is materially false

and misleading in violation of Rule 14a-9.

III. The Proposal may be omitted because it is neither economically related to Verizon's business nor otherwise significantly related to Verizon's business

Rule 14a-8(i)(5) permits a company to omit a proposal that relates to "operations which account for less than 5 percent of the company's total assets at the end of its most recent fiscal year, and for less than 5 percent of its net earnings and gross sales for its most recent fiscal year, and is not otherwise significantly related to the company's business."

As of December 31, 2016, Verizon's total assets were $244,180,000,000. Its net earnings and net sales for fiscal 2016 were $13,608,000,000 and $125,980,000,000, respectively. Five percent of the smallest of these numbers (net earnings) is $680,400,000. The total amount of "above-market earnings" attributable to the EDP for all participants during fiscal 2016 was approximately $10,800,000, which is about 1.6 percent of $680,400,000, and therefore a very small fraction of the 5 percent of net earnings that Rule 14a-8(i)(5) recognizes as being significant to Verizon's business.

Even if a proposal meets the financial criteria for exclusion under Rule 14a-8(i)(5), a company may nevertheless be unable to rely on Rule 14a-8(i)(5) to exclude a proposal if the proposal is "otherwise significantly related to the company's business." As the Commission has stated in Exchange Act Release No. 34-19135 (Oct. 14, 1982):

> Historically, the Commission staff has taken the position that certain proposals, while relating to only a small portion of the issuer's operations, raise policy issues of significance to the issuer's business. ... For example, the proponent could provide information that indicates that while a particular corporate policy which involves an arguably economically insignificant portion of an issuer's business, the policy may have a significant impact on other segments of the issuer's business or subject the issuer to significant contingent liabilities.

However, this Proposal does not raise any other issues that are "significantly related" to Verizon's business that would prevent it from being excluded under Rule 14a-8(i)(5). As previously discussed, the Proposal deals with the interest rate of one hypothetical investment option under the EDP. While this interest rate may be related to Verizon's business to the extent that it is a feature of a Verizon executive compensation plan, it is certainly not a "significant" aspect of such plan or of Verizon's executive compensation program or practices more generally. In addition, as further discussed below, we believe that the Proposal's limited focus on this one interest rate does not otherwise raise other significant policy issues that could potentially result in a material impact to Verizon's business more generally.

Accordingly, Verizon believes that the Proposal is excludable from its 2018 Proxy Materials pursuant to Rule 14a-8(i)(5).

IV. The Proposal impermissibly seeks to subject ordinary business operations to shareholder oversight

Rule 14a-8(i)(7) permits a company to omit a shareholder proposal from its proxy materials if it deals with a matter relating to the company's ordinary business operations. The general policy underlying the "ordinary business" exclusion is "to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting." Exchange Act Release No. 34-40018 (May 21, 1998). This general policy reflects two central considerations: (i) "[c]ertain tasks are so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight;" and (ii) the "degree to which the proposal seeks to 'micro-manage' the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment." *Id.* Verizon believes that the Proposal may be properly excluded under Rule 14a-8(i)(7) because the core issue raised by the Proposal – namely, the availability of, and interest rate associated with, one investment option offered under Verizon's EDP – relates to Verizon's ordinary business operations.

Verizon's EDP is a deferred compensation plan that allows approximately 2,240 employees to defer a portion of their base salary and short-term incentive award and Verizon non-employee directors to defer their annual equity award, cash retainer and meeting fees (such deferred compensation, the "Deferred Compensation"), until a future payment event (e.g., separation from service or a specified date). The EDP is maintained by Verizon to encourage retirement savings. Participation in the EDP is limited to certain employees in light of the requirements of federal pension law.

Participants may elect to have their Deferred Compensation treated as if it were invested in any of the hypothetical investment options that mirror the performance of the investment options available under the Verizon Management Savings Plan, Verizon's broad-based retirement savings plan (the "Savings Plan"), or in the Moody's investment option, which is not offered under Verizon's Savings Plan. As a tax-qualified plan, the Savings Plan may only offer investment options in which contribution dollars can actually be invested, such as mutual funds, because investment accounts under the Savings Plan can only be credited with earnings on actual investments under federal pension law. By contrast, investment accounts in the EDP can be credited with earnings on hypothetical investments, such as a corporate bond index.

As explained above, the Moody's investment option represents an index of current long-term corporate bond rates. Since a deferral of compensation into the EDP is the financial equivalent of an employee loaning their compensation to Verizon rather than being paid their compensation as it is earned, an index of long-term, high-grade corporate bond rates was determined to be an appropriate investment option as it serves as a good proxy for Verizon's cost of borrowing. In fact, the interest rate under the Moody's investment option is actually less than Verizon's weighted average cost of capital ("WACC") for the same period – it was 4.18% in 2016 compared to a 4.80% WACC in 2016 and it is currently 3.92% compared to a 5.28% WACC currently. Thus, Verizon believes that the issues raised by this Proposal – implementing a plan that is intended to incentivize retirement savings among a broad pool of employees and selecting an investment option that simulates Verizon's cost of borrowing – fall within the realm of ordinary business operations rather than executive compensation.

In addition, the Proposal impermissibly seeks to micro-manage the design and administration of Verizon's retirement savings plans to an unreasonable degree. The amount of "above-market earnings" for the CEO set forth in the supporting statement is clearly immaterial – $100,855 for the CEO in 2016 – and according to Verizon's proxy statement, $427,614 for the other named executive officers combined in 2016. These amounts only represent approximately 1% of Verizon's named executive officers' total compensation as reported in the Summary Compensation table as of December 31, 2016.

Furthermore, although the subject matter of the Proposal relates to executive compensation, the Proposal does not present any compensation-related significant policy issue generally or specifically with respect to Verizon. The question of whether allowing executives to invest a small percentage of their overall compensation in a particular hypothetical investment option does not implicate the broader policy issues generally raised by executive compensation-related proposals, such as the alignment of management incentives with shareholder interests or managerial accountability raised in no-action requests such as *BlackRock, Inc.* (April 6, 2016) (proposal requesting the board of directors issue a report evaluating options for bringing company's voting practices in line with its stated principle of linking executive compensation and performance may not be omitted under Rule 14a-8(i)(7) due to focus on senior executive compensation); *Citigroup Inc.* (February 3, 2016) (proposal seeking to amend clawback policies to provide that a substantial portion of annual total compensation of executive officers to be deferred and forfeited to help satisfy any monetary penalty associated with violation of law may not be omitted under Rule 14a-8(i)(7) due to focus on senior executive compensation); *International Business Machines Corp.* (February 2, 2004) (proposal requesting that company conduct special review of its executive compensation policies to determine whether they create an undue incentive to make short-sighted decisions may not be omitted under Rule 14a-8(i)(7)).

The Human Resources Committee of the Board (the "Committee") has considered and approved the EDP in its current form, including the provisions concerning the designation of investment options. The Committee's consideration of the specific investment options available under the EDP reflects the immaterial nature of that issue from an incentive, cost and policy perspective to Verizon.

For the reasons discussed above, Verizon believes that the Proposal deals with "business matters that are mundane in nature and do not involve any substantial policy or other considerations" that Exchange Act Release 34-12999 (November 22, 1976) stated could be omitted pursuant to the ordinary business basis for exclusion. We respectfully submit that the "significant social policy issue" rule should not shield Rule 14a-8 proposals that relate to executive compensation in form but not in substance, as is the case with the Proposal at issue here. In addition, given the mundane and detailed nature of the investment option offerings under deferred compensation plans, the issue of whether Verizon should continue to offer the Moody's investment option under the EDP should not, as a practical matter, be subject to direct shareholder oversight.

V. Conclusion

Verizon believes that the Proposal may be properly excluded from its 2018 proxy materials under (i) Rule 14a-8(i)(3) because the Proposal is materially misleading, (ii) Rule 14a-8(i)(5) because the Proposal relates to operations that account for less than 5% of each of Verizon's assets, earnings and sales and (iii) Rule 14a-8(i)(7) because the Proposal deals with a

matter relating to Verizon's ordinary business operations. Accordingly, we respectfully request the concurrence of the Staff that it will not recommend enforcement action against Verizon if Verizon omits the Proposal in its entirety from its 2018 proxy materials.

By copy of this letter, the Proponent is being notified that for the reasons set forth herein, Verizon intends to omit the Proposal from its 2018 proxy materials. If we can be of assistance in this matter, please do not hesitate to call me at (212) 225-2920.

We request that the Staff send a copy of its determination of this matter to the Proponent by email to association@belltelretirees.org and to the undersigned by email to akohn@cgsh.com.

Very truly yours,

Arthur H. Kohn

Enclosures

Cc: John M. Brennan, Association of BellTel Retirees

EXHIBIT A

The Proposal

See attached.

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Louis Miano

Board Member Emeritus
Robert A. Rehm

Board Member Emeritus
C.William Jonese

November 13, 2017

Mr. William L. Horton, Jr.
SVP, Deputy General Counsel and Corporate Secretary
Verizon Communications Inc.
1095 Avenue of the Americas, 8th Floor
New York, NY 10036

Dear Mr. Horton:

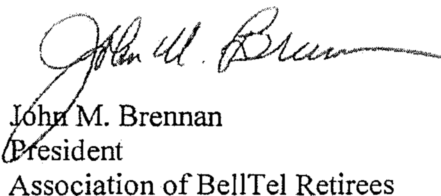
The Association of BellTel Retirees hereby submits the attached stockholder proposal for inclusion in the Company's 2018 proxy statement as allowed under Securities and Exchange Commission Rule 14a-8.

The resolution urges the Board of Directors "to adopt a policy that prohibits the practice of paying above-market earnings on the non-tax-qualified retirement saving or deferred income account balances of senior executive officers. This policy should be implemented prospectively and apply only to senior executive officers in a manner that does not interfere with any contractual rights."

The Association of BellTel Retirees is a stockholder of record and has continuously held the requisite number of shares of Verizon common stock for more than one year. The Association intends to maintain its ownership position (currently 214 shares of common stock) through the date of the 2018 Annual Meeting. An officer of the Association will introduce and speak for our resolution at the Company's 2018 Annual Meeting.

Thank you for including our proposal in the Company's Proxy Statement. If you need any additional information please do not hesitate to contact me.

Sincerely yours,



John M. Brennan
President
Association of BellTel Retirees

ATTACHMENT

372-C

Above-Market Returns on Nonqualified Executive Savings Plans

The Association of BellTel Retirees Inc., 181 Main Street/PO Box 33, Cold Spring Harbor, NY 11724, which owns 214 shares of the Company's common stock, hereby notifies the Company that it intends to introduce the following resolution at the 2018 Annual Meeting for action by the stockholders:

RESOLVED: The shareholders of Verizon Communications, Inc. urge our Board of Directors to adopt a policy that prohibits the practice of paying above-market earnings on the non-tax-qualified retirement saving or deferred income account balances of senior executive officers. This policy should be implemented prospectively and apply only to senior executive officers in a manner that does not interfere with any contractual rights.

SUPPORTING STATEMENT

Verizon offers senior executive officers far more generous retirement saving benefits than rank-and-file managers and other employees receive under the company's tax-qualified saving plans, in our view. One costly and unjustifiable feature is the payment of an above-market rate of return on the multi-million dollar supplemental non-tax-qualified savings and deferred income account balances of senior executives.

Proxy advisor Institutional Shareholder Services flagged this practice in its 2017 proxy analysis report, stating that Verizon "provided guaranteed earnings rates on deferred compensation that are above what can be earned in the general marketplace. This non-performance-based benefit creates additional costs to shareholders."

The ISS report also notes that the payment of "above-market or preferential earnings to executives . . . increases the ultimate expense of the plan to shareholders and is not considered a best practice."

Because of IRS limits on contributions to 401(k) and other tax-qualified savings plans, many companies maintain non-tax-qualified savings plans for additional contributions by executives. The Verizon Executive Deferral Plan allows executives to contribute or defer compensation significantly above applicable IRS limits, including without limit the long-term incentive compensation that represents the bulk of their annual income.

In 2016, CEO Lowell McAdam received $100,855 in "above-market earnings" on his non-qualified plan assets, which totaled just under $12 million at year-end. The six named executive officers cumulatively held more than $50 million in non-qualified accounts at year-end 2016. (Nonqualified Deferred Compensation table, page 57).

For McAdam, these above-market earnings came on top of $424,000 in Company matching contributions to his Deferral Plan account and $21,200 to his Management Savings Plan account. (2017 Proxy, Compensation Tables). Verizon "provides a matching contribution equal to 100% of the first 6% of base salary and of short-term incentive compensation that a participant contributes." (2017 Proxy, page 45).

This $545,000 in total Company matching contributions and "above-market earnings" received by McAdam *for just one year* dwarfed the maximum Company contribution available to employees participating only in the Savings Plan ($21,200). For McAdam, this is all on top of nearly $2.8 million in accumulated pension benefits under legacy plans frozen in 2006 (2017 Proxy, pages 50, 55).

Above-market earnings on non-qualified accounts are not performance-based and thus do nothing to align management incentives with long-term shareholder interests. In addition, gross disparities between retirement benefits offered to senior executives and other employees risk potential morale problems and reputational risk.

Please **VOTE FOR** this proposal.

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