NOTE 5
OTHER STRATEGIC ACTIONS AND COMPLETION OF MERGER

Severance, Pension and Benefit Charges
During 2004, we recorded pretax pension settlement losses of $815 million ($499 million after-tax) related to employees
that received lump-sum distributions during 2004 in connection with the voluntary separation plan under which more than
21,000 employees accepted the separation offer in the fourth quarter of 2003. These charges were recorded in
accordance with SFAS No. 88, “Employers’ Accounting for Settlements and Curtailments of Defined Benefit Pension Plans
and for Termination Benefits” which requires that settlement losses be recorded once prescribed payment thresholds have
been reached.

Total pension, benefit and other costs related to severance activities were $5,524 million ($3,399 million after-tax) in 2003,
primarily in connection with the voluntary separation of more than 25,000 employees, as follows:

- In connection with the voluntary separation of more than 21,000 employees during the fourth quarter of 2003, we
  recorded a pretax charge of $4,695 million ($2,882 million after-tax). This pretax charge included $2,716 million
  recorded in accordance with SFAS No. 88 and SFAS No. 106, “Employers’ Accounting for Postretirement Benefits
  Other Than Pensions” for pension and postretirement benefit enhancements and a net curtailment gain for a significant
  reduction of the expected years of future service resulting from early retirements. In addition, we recorded a pretax
  charge of $76 million for pension settlement losses related to lump-sum settlements of some existing pension
  obligations. The fourth quarter pretax charge also included severance costs of $1,720 million and costs related to other
  severance-related activities of $183 million.
- We also recorded a special charge in 2003 of $235 million ($150 million after-tax) primarily associated with employee
  severance costs and severance-related activities in connection with the voluntary separation of approximately 4,000
  employees. In addition, we recorded pretax pension settlement losses of $131 million ($81 million after-tax) in 2003
  related to employees that received lump-sum distributions during the year in connection with previously announced
  employee separations.
- Further, in 2003 we recorded a special charge of $463 million ($286 million after-tax) in connection with enhanced
  pension benefits granted to employees retiring in the first half of 2003, estimated costs associated with the July 10,
  10, 2003, an arbitrator ruled that Verizon New York’s termination of 2,300 employees in 2002 was not permitted under
  a union contract; similar cases were pending impacting an additional 1,100 employees. Verizon offered to reinstate all
  3,400 impacted employees, and accordingly, recorded a charge in the second quarter of 2003 representing estimated
  payments to employees and other related company-paid costs.
Total pension, benefit and other costs related to severances were $2,010 million ($1,264 million after taxes and minority interest) in 2002, primarily in connection with the separation of approximately 8,000 employees and pension and other postretirement benefit charges associated with 2002 and 2001 severance activity, as follows:

- In 2002, we recorded a pretax charge of $981 million ($604 million after taxes and minority interest) primarily associated with pension and benefit costs related to severances in 2002 and 2001. This pretax charge included $910 million recorded in accordance with SFAS No. 88 and SFAS No. 106 for curtailment losses related to a significant reduction of the expected years of future service resulting from early retirements once the prescribed threshold was reached, pension settlement losses related to lump-sum settlements of some existing pension obligations and pension and postretirement benefit enhancements. The 2002 charge also included severance costs of $71 million.
- We also recorded a pretax charge in 2002 of $295 million ($185 million after-tax) related to settlement losses incurred in connection with previously announced employee separations.
- In addition, we recorded a charge of $734 million ($475 million after taxes and minority interest) in 2002 primarily associated with employee severance costs and severance-related activities in connection with the voluntary and involuntary separation of approximately 8,000 employees.

Other Charges and Special Items
In 2004, we recorded an expense credit of $204 million ($123 million after-tax) resulting from the favorable resolution of pre-bankruptcy amounts due from MCI, Inc. Previously reached settlement agreements became fully effective when MCI emerged from bankruptcy proceedings in the second quarter of 2004.

Also during 2004, we recorded a charge of $113 million ($87 million after-tax) related to operating asset losses pertaining to our international long distance and data network. In addition, we recorded pretax charges of $55 million ($34 million after-tax) in connection with the early retirement of debt.

During 2003, we recorded other special pretax charges of $557 million ($419 million after-tax). These charges included $240 million ($156 million after-tax) primarily in connection with environmental remediation efforts relating to several discontinued businesses, including a former facility that processed nuclear fuel rods in Hicksville, New York (see Note 23) and a pretax impairment charge of $184 million ($184 million after-tax) pertaining to our leasing operations for airplanes leased to airlines experiencing financial difficulties and for power generating facilities. These 2003 charges also include pretax charges of $61 million ($38 million after-tax) related to the early retirement of debt and other pretax charges of $72 million ($41 million after-tax).

During 2002, we recorded pretax charges of $626 million ($469 million after-tax). These charges related to losses in connection with our financial statement exposure to MCI due to its July 2002 bankruptcy of $300 million ($183 million after-tax), an impairment charge of $117 million ($136 million after-tax) pertaining to our leasing operations for airplanes leased to airlines experiencing financial difficulties and other charges of $209 million ($150 million after-tax). In addition, we recorded a charge of $175 million ($114 million after-tax) related to a settlement of a litigation matter that arose from our decision to terminate an agreement with NorthPoint Communications Group, Inc. to combine the two companies’ digital subscriber line businesses.

Merger Transition Costs
We announced at the time of the Bell Atlantic–GTE merger in 2000 that we expected to incur a total of approximately $2 billion of transition costs related to the merger and the formation of the wireless joint venture. These costs were incurred to establish the Verizon brand, integrate systems, consolidate real estate and relocate employees. Transition activities were complete at December 31, 2002 and totaled $2,243 million. For 2002, transition costs were $510 million ($288 million after taxes and minority interest).