VERIZON COMMUNICATIONS INC
Form 11-K
June 29, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

COMMISSION FILE NUMBER 1-8606

VERIZON SAVINGS PLAN FOR

MANAGEMENT EMPLOYEES

VERIZON COMMUNICATIONS INC.

140 WEST STREET

NEW YORK, NEW YORK 10007

Table of Contents

VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES

TABLE OF CONTENTS

All other schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure Under the Employee Retirement Security Act of 1974 are omitted as not applicable or not required.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Verizon Employee Benefits Committee:

We have audited the accompanying statements of net assets available for benefits of the Verizon Savings Plan for Management Employees (the Plan) as of December 31, 2009 and 2008 and the related statement of changes in net assets available for benefits for the year ended December 31, 2009. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2009 and 2008, and the changes in its net assets available for benefits for the year ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental Schedule of Assets (Held at End of Year) as of December 31, 2009, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Mitchell & Titus LLP

New York, New York

June 29, 2010

Table of Contents

VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES

Statement of Net Assets Available for Benefits

As of December 31, 2009

(in thousands of dollars)

	Other Investments	ESOP Shares Fund Allocated	ESOP Shares Fund Unallocated	Total
Assets:				
Investments in Master Trusts (at fair value)	$ 9,178,442	$ 589,718	$ 136,343	$ 9,904,503
Participant loans	239,742			239,742
Employer contribution receivable	44,241			44,241
Total assets	9,462,425	589,718	136,343	10,188,486
Liabilities:				
Notes payable			120,304	120,304
Net assets reflecting investments (at fair value)	9,462,425	589,718	16,039	10,068,182
Adjustment from fair value to contract value for fully benefit responsive investment contracts	(26,048)			(26,048)
Net assets available for benefits	$ 9,436,377	$ 589,718	$ 16,039	$ 10,042,134

The accompanying notes are an integral part of these financial statements.

2

Table of Contents

VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES

Statement of Net Assets Available for Benefits

As of December 31, 2008

(in thousands of dollars)

	Other Investments	ESOP Shares Fund Allocated	ESOP Shares Fund Unallocated	Total
Assets:				
Investments in Master Trusts (at fair value)	$ 5,863,116	$ 600,370	$ 155,222	$ 6,618,708
Participant loans	168,440			168,440
Employer contribution receivable	40,196			40,196
Total assets	6,071,752	600,370	155,222	6,827,344
Liabilities:				
Notes payable			147,051	147,051
Net assets reflecting investments (at fair value)	6,071,752	600,370	8,171	6,680,293
Adjustment from fair value to contract value for fully benefit responsive investment contracts	10,914			10,914
Net assets available for benefits	$ 6,082,666	$ 600,370	$ 8,171	$ 6,691,207

The accompanying notes are an integral part of these financial statements.

Table of Contents

VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES

Statement of Changes in Net Assets Available for Benefits

For the Year Ended December 31, 2009

(in thousands of dollars)

	Other Investments	ESOP Shares Fund Allocated	ESOP Shares Fund Unallocated	Total
Additions:				
Contributions:				
Employee	$ 299,839	$	$	$ 299,839
Employer	190,681		35,251	225,932
Total contributions	490,520		35,251	525,771
Transfers from/to other plans, net	2,679,229	41,445		2,720,674
Transfers among funds	26,237	(8,545)	(17,692)	
Net investment gain from investments in Master Trusts	942,064	18,334	8,135	968,533
Total additions	4,138,050	51,234	25,694	4,214,978
Deductions:				
Benefits paid to participants	770,288	61,537		831,825
Interest expense			17,826	17,826
Administrative expenses	14,051	349		14,400
Total deductions	784,339	61,886	17,826	864,051
Net change	3,353,711	(10,652)	7,868	3,350,927
Net assets available for benefits:				
Beginning of year	6,082,666	600,370	8,171	6,691,207
End of year	$ 9,436,377	$ 589,718	$ 16,039	$ 10,042,134

The accompanying notes are an integral part of these financial statements.

Table of Contents

VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES

Notes to Financial Statements

December 31, 2009

NOTE 1 DESCRIPTION OF THE PLAN

The following description of the Verizon Savings Plan for Management Employees (the Plan) provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan s provisions.

Plan Merger

Effective December 18, 2009, (the Merger Date) the Verizon Business Savings Plan (the VZB Plan) was merged with and into the Plan. As a result of the merger, approximately $2.7 billion of assets of the VZB Plan were transferred into the Plan as of the Merger Date.

Eligibility

The Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974. The Plan provides eligible employees, as defined by the Plan document, of Verizon Communications Inc., (Verizon or Plan sponsor) and certain of its subsidiaries (Participating Affiliates) with a convenient way to save for both medium and long-term needs.

Covered employees are eligible to make tax-deferred or after-tax contributions to the Plan and to receive matching employer contributions, upon completion of enrollment in the Plan, as soon as practicable following the date of hire.

An individual s active participation in the Plan shall terminate when the individual ceases to be an eligible employee; however, the individual shall remain a participant until the entire account balance under the Plan has been distributed or forfeited.

Investment Options

Participants shall direct their contributions to be invested in any of the current investment options.

Participant Accounts

Each participant s account is credited with the participant s contributions, rollovers, matching contributions, and allocations of Plan income. Allocations of Plan income are based on participant account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account balance.

Payment of Benefits

Benefits are recorded when paid. Benefits are payable in a lump sum cash payment unless a participant elects, in writing, one of the three optional forms of benefit payment which include the following: (1) a lump sum in Verizon shares for investments in the Verizon Company Stock Fund with the balance in cash, (2) annual, semiannual, quarterly, or monthly installments in cash of approximately equal amounts to be paid out for a period of 2 to 20 years, as selected by the participant, or (3) for those participants eligible to receive their distribution in installments as described in (2) above, a pro rata portion of each installment payment in Verizon shares for investments in the Verizon Company Stock Fund, with the balance of each installment in cash.

Participant Loans

The Plan includes an employee loan provision authorizing participants to borrow an amount of up to 50% from their vested account balances in the Plan subject to certain limitations. Loans are generally repaid by payroll deductions. The term of repayment for loans generally will not be less than six months nor more than five years (15 years for a loan to purchase a principal residence). Each new loan will bear interest at a rate based upon the prime rate as published in the *Wall Street Journal* on the last business day of the calendar quarter preceding the calendar quarter in which the loan is made.

Table of Contents

VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES

Notes to Financial Statements

December 31, 2009

NOTE 1 DESCRIPTION OF THE PLAN *(continued)*

Master Trust

At December 31, 2009 and 2008, the Plan participated in the Verizon Master Savings Trust (the Master Trust), and owned a percentage of the assets in the Master Trust. These percentages are based on a pro rata share of the Master Trust assets. The Plan owned approximately 49% and 37% of the net assets in the Master Trust at December 31, 2009 and 2008, respectively.

Fidelity Management Trust Company (the Trustee) has been designated as the trustee of the Master Trust and is responsible for the control, and disbursement of the funds and portfolios of the Plan, including the payment of principal and interest on the Employee Stock Ownership Plan s (ESOP) notes payable. Expenses of administering the Plan, including fees and expenses of the Trustee may be charged to the Plan. Investment fees are charged against the earnings of the funds and portfolios. The trustee is also responsible for the investment and reinvestment of the funds and portfolios of the Plan, except to the extent that it is directed by Verizon Investment Management Corp (VIMCO) or by third party investment managers appointed by VIMCO.

At December 31, 2009 and 2008, the Plan also owned a percentage of the assets in the Bell Atlantic Master Trust, for which The Bank of New York Mellon is the trustee. The plan assets in the Bell Atlantic Master Trust are pooled between defined benefit plans and defined contribution plans. The total fair value of the assets allocated to defined contribution plans in the Bell Atlantic Master Trust at December 31, 2009 and 2008 was $1.3 billion and $674 million, respectively. The Plan owned approximately 58% and 48% of the assets allocated to defined contribution accounts at December 31, 2009 and 2008, respectively.

Interest and dividends along with the net appreciation (depreciation) in fair value of investments are allocated to the Plan on a daily basis based upon the Plan s participation in the various investment funds and portfolios that comprise the Master Trusts as a percentage of the total participation in such funds and portfolios.

Plan Modification

Verizon, acting through its Board of Directors or its most senior Human Resources officer, reserves the right to modify, alter, or amend the Plan at any time. Verizon, acting through its Board of Directors, reserves the right to terminate the Plan at any time.

Risks and Uncertainties

The Plan provides investment options for participants who can invest in combinations of stocks, bonds, fixed income securities, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, equity price, and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants account balances and the amounts reported in the statements of net assets available for benefits.

VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES

Notes to Financial Statements

December 31, 2009

NOTE 2 ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which require management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Certain prior year amounts have been reclassified to conform to current year presentation.

Statement of Changes in Net Assets Available for Benefits

The Statement of Changes in Net Assets Available for Benefits reflects the net investment gain from the Plan s interest in the Master Trusts which consists of the realized gains or losses and the unrealized appreciation (depreciation) in fair value of those investments, as well as interest and dividends earned.

Investments in Master Trusts

Purchases and sales of investments are reflected as of the trade date. Realized gains and losses on sales of investments are determined on the basis of average cost. Dividend income is recorded on the ex-dividend date. Interest earned on investments is recorded on the accrual basis.

Fair Value Measurements

Fair value of financial and non-financial assets and liabilities is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for assets and liabilities, is as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 No observable pricing inputs in the market

Financial assets and financial liabilities are classified in their entirety based on the lowest level of inputs that is significant to the fair value measurements. The Plan sponsor s assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

Investment contracts are required to be reported at fair value. However, contract value is the relevant measurement of that portion of net assets attributable to fully benefit-responsive investment contracts, as that is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statements of Net Assets Available for Benefits present net assets at fair value, with an adjustment to contract value for the investment contracts held by the Master Trust. In addition, net assets available for benefits and the changes in net assets available for benefits per the financial statements will be different from those in the Plan s Form 5500 due to the adjustment from fair value to contract value for fully benefit-responsive investment contracts, as reflected in the financial statements (see Note 9).

Recently Adopted Accounting Standards

On June 15, 2009, the Plan sponsor prospectively adopted the accounting standard, as amended, regarding the accounting for, and the disclosure of, events that occur after the balance sheet date but before the financial statements are issued.

On June 15, 2009, the Plan sponsor prospectively adopted the accounting standard regarding estimating fair value measurements when the volume and level of activity for the asset or liability has significantly decreased, which also provides guidance for identifying transactions that are not orderly.

On August 28, 2009, the Plan sponsor adopted the accounting standard update regarding the measurement of liabilities at fair value. This standard update provides techniques to use in measuring fair value of a liability in circumstances in which a quoted price in an active market for the identical liability is not readily available.

Table of Contents

VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES

Notes to Financial Statements

December 31, 2009

NOTE 3 NON-PARTICIPANT DIRECTED INVESTMENTS

Information about the net assets and the significant components of the changes in net assets relating to the Plan s non- participant directed investments is as follows (in thousands):

	As of December 31, 2009	As of December 31, 2008
Net Assets:		
Verizon common stock	$ 80,511	$ 550,850

Changes in net assets:	Year ended December 31, 2009
Employer contributions	$ 148,997
Net investment gain	32,849
Net transfers in	308,257
Benefits paid to participants	(152,257)
(Decrease) in diversification adjustment (Note 4)	(731,370)
Other	(76,815)
Net decrease	$ (470,339)

NOTE 4 VESTING AND CONTRIBUTIONS

A participant shall be fully vested in the employer-matching contributions allocated to his or her account or ESOP account and any income thereon, upon completing three years of vesting service or upon death, disability, retirement from Verizon or a Participating Affiliate, attainment of normal retirement age, or involuntary termination (other than for cause).

A terminated employee s non-vested employer-matching contributions are forfeited and offset against subsequent employer-matching contributions to the Plan. There were no forfeitures used to reduce employer matching contributions for the year ending December 31, 2009. Forfeitures used to reduce employer matching contributions were $4.7 million for the year ending December 31, 2008. The balance in the forfeiture account was $2.6 million and $0.8 million at December 31, 2009 and December 31, 2008 respectively.

The Plan is funded by employee contributions up to a maximum of 25% of compensation (16% for highly compensated employees as defined in the Plan document) and by employer-matching contributions. The employer-matching contributions are equivalent in value to 100% of the initial 6% of the participants contributions of eligible compensation for each payroll period. Employees attaining the age of 50 or older can elect to make additional catch-up contributions to the Plan. In addition, Verizon and its participating affiliates may make a discretionary, performance-based matching contribution to the Plan in an amount up to 50% of the employee s matched contributions for the Plan year.

Participant contributions may be made on a before tax or Roth after-tax basis (elective contributions) or from currently taxed compensation (after-tax contributions). Each participant s elective contributions for the 2009 Plan year were limited to $16,500. The total amount of elective contributions, after-tax contributions, and matching contributions and certain forfeitures that may be allocated to a Plan participant was limited to the lesser of (1) $49,000 or (2) 100% of the participant s total compensation, and the compensation on which such contributions were based was limited to $245,000. The catch-up contribution limit is $5,500 for participants eligible to make catch-up contributions. Additional limits apply to participants who are residents of Puerto Rico and who became participants in connection with the merger of the VZB Plan.

Employer-matching contributions are made half in Verizon common stock and half in cash, and the cash will be invested in the same options as the participant s current contributions.

Table of Contents

VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES

Notes to Financial Statements

December 31, 2009

NOTE 4 VESTING AND CONTRIBUTIONS (*continued*)

The Verizon common stock is held by the Plan in a unitized fund, which means participants do not actually own shares of Verizon common stock but rather own an interest in the unitized fund.

For the 2009 Plan year, total company-matching contributions consisted of a stock contribution of 3.7 million shares of Verizon common stock with a fair value at the date of contribution of $113 million and a cash contribution of $113 million. Included in the above is a discretionary match of $44 million, 50% in shares of Verizon common stock and 50% in cash.

In Note 3, the Diversification Adjustment reflects the employer-matching contributions that a participant may elect to transfer into any investment option available under the Plan, subject to the provisions of the Plan document.

NOTE 5 RELATED-PARTY TRANSACTIONS

VIMCO, an indirect, wholly owned subsidiary of Verizon, is the investment advisor for certain investment funds and therefore qualifies as a party-in-interest. VIMCO received no compensation from the Plan other than reimbursement of certain expenses directly attributable to its investment advisory and investment management services rendered to the Plan. In addition, certain investments held by the Trusts are managed by Bank of New York Mellon as trustee and Fidelity as trustee and record keeper. Therefore these investments qualify as parties-in-interest transactions. The Plan also allows investment in Verizon common stock, which is a party-in-interest transaction. All of these transactions are exempt from the prohibited transaction rules.

NOTE 6 INCOME TAX STATUS

The Plan has received a determination letter from the Internal Revenue Service dated February 13, 2003, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trusts are exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan has been amended since receiving the determination letter. However, the Plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trusts are tax exempt.

NOTE 7 EMPLOYEE STOCK OWNERSHIP PLAN

An ESOP was established within the Plan. The ESOP purchased Verizon common stock using the proceeds of a loan from Verizon. Verizon and the Participating Affiliates also make annual cash contributions to the ESOP which, when combined with dividends on the Verizon common stock held by the ESOP, are sufficient to repay the principal and interest on the loan. As the ESOP makes loan payments, a percentage of the Verizon common stock held by the ESOP is allocated to the participants accounts in the form of employer matching contributions.

Table of Contents

VERIZON SAVINGS PLAN FOR MANAGEMENT EMPLOYEES

Notes to Financial Statements

December 31, 2009

NOTE 7 EMPLOYEE STOCK OWNERSHIP PLAN *(continued)*

ESOP debt service payments for 2009 totaled $27 million, which was funded with $6 million of dividends accumulated on the Verizon common stock held by the ESOP and $21 million of cash contributions.

At December 31, 2009, 2.6 million shares of Verizon common stock in the ESOP Shares Fund were held as collateral for the ESOP loan. The borrowings of the ESOP are as follows (in thousands):

	Interest Rate	Maturity Date	2009	2008
NYNEX ESOP	9.78%	1990-2014	$ 120,304	$ 147,051

Maturities of the outstanding loan are as follows (in thousands):

Maturity Date	Amount
2010	$ 27,714
2011	27,964
2012	28,320
2013	28,790
2014	7,516
Total	$ 120,304

Verizon has guaranteed all principal and interest payments on the ESOP borrowings in the event of default by the Plan.

NOTE 8 INVESTMENTS IN MASTER TRUSTS

Fair values of publicly traded common stock and mutual funds are det