



June 29, 2004

Mr. K.O. Raschke  
President  
Lucent Retirees Organization  
231 Pinetuck Lane  
Winston-Salem, NC 27104

Dear Mr. Raschke:

Thank you for your recent letter expressing concern about Lucent's defined benefit pension plan and seeking advice on steps you can take to find out if promised benefits are secure. While as a first step I would encourage you ask the company about the status of the pension plan, I hope you will allow me to make a few observations as well.

The two most critical factors in determining whether a pension plan will terminate are the financial health of the plan and the financial health of the company sponsoring the plan. Sometimes a company will fail when the pension plan is fully funded, ensuring that participants receive all promised benefits. Other times the pension plan may be underfunded but the company remains in business, ensuring that benefits are paid and additional contributions are made. It is only when the company fails at the same time that the pension plan is underfunded – a relatively rare occurrence – that PBGC enters the picture.


Monitoring the financial health of their company is something participants in underfunded pension plans should be encouraged to do, as is tracking the financial health of the pension plan. Unfortunately, at the moment, the only current pension funding information available to plan participants is found in corporate financial statements. These filings do not measure whether the plan is fully funded on a "termination basis" – that is, they do not tell participants whether the plan would have sufficient assets to guarantee payment of full promised benefits in the event of a corporate failure.

This is a failure of law that the Administration is working hard to correct. In its pension reform package submitted to Congress last year, the Administration proposed that all companies tell workers and retirees the true

financial health of the pension plan each year, as well as whether benefits would be fully covered by PBGC's pension guarantees. We also proposed that pension underfunding data currently available only to the PBGC be made available to the public.

I hope you find this response helpful. If PBGC can be of further assistance, please call Randy Clerihue of my staff at 202-326-4000, x3335.

Sincerely,

A handwritten signature in black ink, appearing to read "Bradley D. Belt". The signature is fluid and cursive, with a long horizontal stroke at the end.

Bradley D. Belt  
Executive Director