

LRO Members- ALU Announces 401K Changes:

Some of you may have recently received either one or two documents from Alcatel-Lucent (ALU). The first one describes changes they intend to make to the employee 401K plan. According to each person's contribution to his/her 401K Plan, ALU presently contributes up to 6% of that individual's salary. It is estimated that ALU's matching contributions require an annual withdrawal of about \$ 75 million from their Operating Fund. They now intend to discontinue taking these matching dollars from the Operating Fund. Instead, beginning in 2014, they plan to designate as pension plan obligations the necessary amounts (which could annually be the \$75 million plus 4% interest) in the Management Pension Fund.

It can only be foreseen that this change will serve to annually reduce the Management Pension Plan's funding level. ALU has stated, however, that, since the Management Pension Plan has "surplus assets", the intended revision is feasible. It must be recognized, however, that the surplus they refer to is only temporary. It was created by Congress in an attempt to relieve the funding requirements of companies which have underfunded plans. The LRO is now formulating its response to this action and will keep you informed.

The second document you may have received is a notification that ALU intends to change the 401K record keeper. Effective January 1, 2014, Hewitt-Aon will replace Fidelity Investments. If you are one of the approximately 25,000 plan participants who are not current employees, you should carefully consider your options:

- 1. You can do nothing and your 401K will transfer to Hewitt-Aon. There will be a blackout period from 1/1/14 to 1/10/14 during which no transactions will be held, or
- 2. You could set up an IRA at Fidelity. (Help in doing this can assuredly be obtained from their representatives). Or you could set up an IRA with help from your financial advisor.

Of course, the decision is yours - - the LRO cannot make any suggestions as to your choice. Our discussions with ALU have not resulted in any explanation as to why they intend to make this change.

If you have any questions, please contact Frank Minter at fcminster@aol.com