



## The LRO Connection

SPRING NEWSLETTER

# Pension Buyout 2015 - ?????



### President's Column

[Joseph.dombrowski@mac.com](mailto:Joseph.dombrowski@mac.com)

Dear Fellow Retiree,

Well, it's been almost a year (May 2014) since Alcatel-Lucent (ALU) announced their intention to offer a pension buyout to some 45,000 retirees in the management pension plan sometime during the year 2015. If you have an active email address with the LRO, or regularly visit our website, you are already aware from our updates that we still have only limited information about this planned offering.

On February 6 of this year, your LRO leaders met in Raleigh N.C. with ALU Human Resources Vice Presidents John Hickey and Julie Liptak to hopefully get more definitive information about the plan. Frankly, we were surprised that ALU still has not firmed up many of the details of the offering and indicated that there is an outside chance that the offer might not be made. While that does remain an outside possibility, ALU did assure us that they are, in fact, in an active planning mode and have prepared contracts with outside help to assist in the areas of administration, legal, and participant education.

At the same meeting, we discussed a number of other issues with the ALU executives, including healthcare and an update on the status of the Group Life Insurance Trust Fund. For a summary of those discussions, please read the **LRO Benefits Team Column** in the newsletter.

Your LRO board is fully aware of the concern and interest within our retiree base to more fully understand the details of the proposed pension buyout, and I can assure you that we will be following ALU closely to get firm information. We plan to continue to host regional meetings across the country during the year to discuss the latest information and will regularly update our website as new information becomes available. Our planned schedule of regional meetings is outlined in the **Regional LRO News** column in this newsletter

While we did not get all the information we would have hoped for in our meeting, we are grateful for the opportunity to have these discussions with ALU executives and for the ongoing support of their human resources staff in dealing with retiree issues. These meetings do give us the opportunity to sensitize ALU to many of the concerns of our retirees, and that, we believe, is important.

Finally, our thanks and gratitude to you, our members, for your support of the LRO. Your dues contributions help us fund the many activities of this volunteer organization.

- - Joe

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# The LRO Connection

## LRO Pension Column

Frank Minter - [fcminster@aol.com](mailto:fcminster@aol.com)



As you read earlier in the **President's Column**, we really did not learn anything new in our recent meeting with ALU Human Resource executives about the proposed pension buyout offering announced by ALU in May of 2014 for execution sometime in 2015. What limited information we did gain is posted on our **Pension Buyout Corner** on our website. We understand the great interest among our retirees on this issue and will follow closely and update information as it becomes available.

The only new information we do have relates to the financial statements of the company for the year 2014. Following are comments derived from those statements that involve pension matters:

You will recall that our plan was fully funded at the end of 2013 with assets of \$19,287 billion and obligations of \$18,296 billion for a funding ratio of 105%. During 2014, certain significant actions lowered the funding level of the plan. The discount rate used to calculate the present value of pension obligations was reduced by 1%, and ALU recognized the new mortality tables of life expectancy published by the Society of Actuaries. These two changes increased obligations by \$ 2.8 billion, thereby reducing the funding ratio to 95.8%.

We offer two thoughts on the decline in the plan funding level: First, the funding level will trend upward when interest rates increase, and second, even though ALU adopted the new mortality tables for the 2014 IFRS based financial statements, it is unknown at this time whether ALU will use the old mortality tables or the new tables in calculating a potential lump sum offer. Using the new tables of life expectancy would produce a larger lump sum offer for the retiree

Remember, you will receive an Annual Funding Notice at the end of April that will report funding on an actuarial basis. ALU has stated that, on that basis, the plan is fully funded, and no contribution to the plan will be required this year.

Of interest - ALU has increased the distribution of plan asset investments in cash to 10% or about \$3 billion. This would suggest they are planning increased levels of cash in preparation for a lump sum offer. Again, we will continue to follow ALU closely and update new information about the proposed buyout offering when it becomes available.

## LRO Benefits Team

Ron Hoth - [rhoth@triad.rr.com](mailto:rhoth@triad.rr.com)

Herb Zydney - [eherb@att.net](mailto:eherb@att.net)



At our recent annual meeting with the ALU Human Resources and Benefits Leadership, the majority of the time was spent discussing information pertaining to the pension buyout program scheduled for some time later in this year. However, time was also spent reviewing matters pertaining to the healthcare and group life insurance benefits. The highlights of these discussions are as follows:

- ALU acknowledged that the ALU Benefits-at-a-Glance information and the UnitedHealthcare (UHC) communications concerning out of network (OON) coverage were not in synch. The

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(Continued from page 2) *LRO Benefits Team*

bottom line on this is that retirees with the ALU UHC Group MA PPO plan coverage can go to any doctor, hospital or licensed professional that participates in Medicare. The retiree's cost share is the same out of network as it is in network. This is not necessarily the case if you do not have ALU's UHC plan. Both ALU and UHC have assured us that their open enrollment information going forward will definitely be in synch concerning this difference.

- ALU advised that it is planned that health care benefits and group life insurance will be kept in effect for those who accept the lump sum pension buyout.
- We asked that ALU eliminate or lower the prescription drug plan deductible expense amount that is currently \$310. They were not receptive to this.
- ALU confirmed that they have no subsidy for any post 3/1/90 management retirees but continue providing the full premium cost of the UHC MA PPO and Rx plan for pre 3/1/90 retirees.
- ALU gave an indication that they will continue to provide healthcare coverage for 2016 but said it is not guaranteed.
- The Group Life Insurance plan trust account has sufficient funds to project that it should remain in force for at least another seven years.

While we had a good exchange, ALU contends that they are not in a sufficiently strong financial position to provide any subsidy assistance for post 3/1/90 retirees whether they are Medicare eligible or not.

Other news:

- The use of the LRO Benefits Team web site was higher by 30% this year. Two contributors to this increased usage were: (1) cancellation of the ALU pre-Medicare subsidy increased interest in ACA healthcare subsidized options, and (2) UHC's cancellation of some of their in-network providers in New Jersey and elsewhere.
- If you are new to Medicare or qualify for a special enrollment, and are considering Medigap/ Medicare Supplement insurance, be sure to note that the President's budget includes cost increases to Part B for some Medigap plans. The proposal as written is not retroactive, so signing up this year may be advantageous.
- UHC added the SilverSneakers fitness program to the ALU management healthcare plan in 2015. This program offers a great opportunity for plan participants to enjoy workout benefits at more than 12,000 fitness locations across the country. To learn more about this program, go to the SilverSneakers website [www.silversneakers.com](http://www.silversneakers.com) or call 1-888-423-4632 Monday through Friday from 8 a.m. to 8 p.m. Fitness is just a click or phone call away.

Finally, keep us informed on what is working for you and what is not. Send an e-mail question to [benefits@lucentretirees.org](mailto:benefits@lucentretirees.org) or post to share with others on the LRO message board, [www.board.thelro.org](http://www.board.thelro.org)

# The LRO Connection



## REGIONAL LRO NEWS

LRO regional meetings that bring together old friends and workmates for updates on pensions, healthcare, and legislative issues have been a most popular medium of communication with our membership. The board has budgeted and is planning to visit four locations during the current year. The following is our planned schedule of meetings:

**Columbus, Ohio** - Tuesday, April 7

**Indianapolis, In** - Thursday, April 9

**Andover, MA** - Tuesday, May 12 and Wednesday, May 13

**Chicago Area** - Late June

LRO members in the respective areas will receive direct communications on the specific time and location of the meetings. We will also post information on the website. Remember all Lucent Retirees and spouses are encouraged to attend these sessions, even if they are not currently LRO members. Invite your Lucent retiree friends who may not be members to join us.

At these sessions, we will provide the latest information we have relative to the proposed pension buyout. While we cannot give individual financial counsel, our pension experts will discuss the factors involved in calculating a buyout offer that must be considered in any decision to accept or reject an offer. Because of the high level of interest in this subject, we expect a large turnout at these sessions and urge members to RSVP when you receive your invitation to assist us in planning.

## Legislative Affairs

**Bob Martina** - [rfjm9870@aol.com](mailto:rfjm9870@aol.com)



### Washington DC meetings

On Feb 2-4, your LRO representatives attended the NRLN Annual Leadership Conference in Washington D.C. Attendees scheduled meetings with members of the U.S. Senate and House of Representatives to lobby for passage of bills that would protect retiree income and health security. Meetings with legislators and their staffs focused on the following issues:

- Protecting retirees in pension plan de-risking by corporations
- Importation of safe, less costly prescription drugs
- Medicare negotiating for lower-priced prescription drugs
- Elimination of pre-existing medical conditions preventing switching of Medicare, Medigap, and Medicare Advantage insurance plans
- Elimination of Medicare's 3-day inpatient rule to be eligible for skilled nursing facility services

Our position papers and talking points on these and other issues are available at <http://www.nrln.org/index.html>. Take a look at these papers that your LRO helped fund.

The LRO and several other NRLN Associations also met with the U.S. Labor Department in Washington to discuss issues associated with pension de-risking strategies by corporations, primarily focusing on lump sum offerings such as that recently announced by Alcatel-Lucent. Participants stressed the need for full

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disclosure of elements of the offer to allow recipients to fully understand considerations in accepting or rejecting the offer.

## **Do you know how your representatives and senators are doing on retiree issues?**

The NRLN has recently been able to provide “Report Cards” for your entire state delegation, senators and representatives. Your NRLN reviews all congressional bills for applicability to our issues and decides to support a bill or not. While not being a co-sponsor doesn’t mean a congressman is against a bill, co-sponsorship does mean he or she is for it. The NRLN also tracks votes for the report cards.

To download your state report cards for the current 114th Congress, go to the NRLN website, enter your zip code in upper right hand corner of the site, click on your state and then click on the icon under your state flag.

To download the report cards for the last Congress (113th), go to the following link:

<http://www.nrln.org/reportcard.html> and follow the easy instructions on this page.

After you’ve reviewed how they are doing, take some action. Use the NRLN easy to use Action Alert system to contact your representatives and express your concerns.

Bob Martina LRO -Legislative Director / VP NRLN Grassroots

## **Treasurer’s Report**



The LRO thanks our dues paying members for their active support of the LRO and its mission. Forty-eight per cent of our members contributed, and our average

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contribution was \$28. We added 232 new members during the year, bringing our total active membership to 12,391.

Expenses were slightly over budget for the year by 2%. For the year, our Expense per Dollar of Revenue was 95%, compared to 106% in the budget. We ended the year with a surplus of \$ 7,635, due principally to increased income.

Our major challenge for 2015 is to re-engage our previous contributors to surpass the 6,000+ member contributors that we have experienced in the past. With the prospect of a pension buyout and perhaps other de-risking strategies by ALU, we expect additional expenses in meeting and communicating with our membership and in support of pension protection legislation through the NRLN.

As a reminder, the LRO is an IRS 501C5 charter (Labor Organization) and as such, our annual dues are NOT tax deductible.

Here is analysis of expenses by category:

|                                   |                      |                          |
|-----------------------------------|----------------------|--------------------------|
| <b><u>Dues Income</u></b>         |                      | <b>\$ 162,089</b>        |
| <b><u>Category of Expense</u></b> | <b><u>Amount</u></b> |                          |
| Membership Meetings               | \$ 39,945            |                          |
| NRLN Dues & Support               | \$ 30,260            |                          |
| Board Meetings                    | \$ 31,150            |                          |
| Post/Print/Supplies               | \$ 24,621            |                          |
| Travel Expenses                   | \$ 14,927            |                          |
| Legal/Audit/Insurance             | \$ 8,700             |                          |
| Comm, Web & Fees                  | \$ 4,851             |                          |
|                                   | \$ 154,454           |                          |
|                                   |                      | <b><u>\$ 154,454</u></b> |
| <b><u>Surplus/deficit</u></b>     |                      | <b><u>+ \$ 7,635</u></b> |

Alcatel-Lucent  Update

## Alcatel-Lucent CEO Positive About 2015

Alcatel-Lucent's CEO Michael Combes expressed confidence in early February 2015 that the company would achieve positive free cash flow by the end of the year.

Combes made his comment when ALU announced that fourth-quarter 2014 sales fell 6 percent to 3.68 billion euros (\$4.2 billion). Operating profit doubled from a year earlier to reach 284 million euros but was still about 10 percent lower than forecasts as the pace of cost cuts eased from the previous three months.

A slowdown in spending by Verizon and AT&T who have largely finished building 4G mobile networks hurt revenues. Internet equipment, a smaller but promising business at the heart of Combes' strategy, continued to grow.

Combes said the company has been trying to remedy its shortcomings through an aggressive restructuring plan that has seen the company lay off 10,000 people, sell assets worth about 600 million euros, and carry out a 1 billion euro capital increase to shore up its finances.

## NOTICE TO UPDATE EMAIL

If you received this newsletter in the US mail, it is probably because we do not have your current email address.



Please go to [http://www.lucentretirees.com/change\\_reg.php](http://www.lucentretirees.com/change_reg.php) to change your email address.

If you don't know your Registration ID or if you find that your email address is correct, write to us at [lro.registration@comcast.net](mailto:lro.registration@comcast.net)

## - History Corner - Reading Works

*In 1952, operations in Reading, Pennsylvania began when Western Electric Company converted the nearby Rosedale knitting mill in Laureldale, Pa. into a factory in response to a request by the U.S. Signal Corps to make transistors and diodes exclusively for government use.*

*On May 20, 1957, Western leased additional facilities in Laureldale, and in 1958, a group of Bell Laboratories scientists moved to Reading from other locations and started the Laureldale Laboratory. Initially the Laureldale Laboratory designed electron tubes including traveling wave tubes. Eventually, after becoming the Reading Laboratory, they were designing semiconductor devices, which eventually included transistors, diodes, integrated circuits, light emitting diodes, and lasers.*

*On September 16, 1959, it was announced that the Greater Berks Development Fund would build and lease a new plant for Western Electric to accommodate the projected growth. The Laureldale plant had 3,100 employees with a projected growth to 4,000 - 5,000. Ground breaking took place in November of 1960 and on January 2, 1963, Western Electric took possession of the new building.*

*The new plant had 5 acres of roof, 200 miles of wiring, 6 acres of parking. With the move, Western transitioned away from government contracting and toward products for the Bell System use. Components from Laureldale orbited the Earth in the telecommunications satellite Telstar. By 1966 all facilities had moved from the Laureldale plant to the new site. The new facility was called the Reading Works and the Reading Labs.*

*On September 22, 1974, the Reading Works made its 1 billionth semiconductor device. By the mid 1980's the manufacture of some older products were transferred to other locations so that Reading could accommodate newer technologies such as opto-electronics, microwave devices, magnetic bubble memory, gated diode cross-point switches as well as more linear integrated circuits.*

*At Divestiture in 1984, the Western Electric plant became the Reading Works of AT&T Technology Systems. During that year, employment would reach an all-time high of 4,900. In 1988, microchip and fiber-optic manufacturing was combined into an organization called AT&T Microelectronics. Employment declined in the late '80s and early '90's and in 1995 the Reading Works work force stood at 2,400 as it prepared for the spin-off from AT&T into Lucent Technologies.*

*Readings heritage, combined with constant innovation and product quality, positioned the facility as one of the largest semiconductor companies in the world. In 2,000, Microelectronics and Opto-electronics were reorganized as Agere Systems with intention of spinning off as an independent company. In late March of 2001, Agere's stock went public, and the spin-off was completed by June of 2002.*

*By late spring of 2001, Agere Systems announced work force reductions and layoffs continued in waves as the semiconductor market deteriorated.*

*On January 24, 2002, Agere announced that it would be closing the 1.3 million-square-foot Reading Works in 12-18 months. All operations were consolidated at the Allentown, Pennsylvania headquarters location and New Jersey locations. The doors locked on May 16, 2003 ending an historic run of achievement in the semiconductor industry and major contributions to the government and to the Bell System. The Reading Works - an important part of our shared history.*

*For more detailed history of Reading Works, click on the following link from which this article is taken:*

<http://rhodyman.net/rdgworks.html#anchorAL>

**Join The LRO** LRO dues are \$25 for Annual membership or \$350 for Lifetime membership. Additionally, you have the option of prepaying \$100 for a Five-Year membership and saving \$25. Please take time today to write your check to the LRO and mail it to: LRO Inc., P.O. Box 816, Winter Haven, FL 33882 If you prefer to pay by credit card, visit the LRO Website at [www.lucentretirees.com](http://www.lucentretirees.com). *Please send a check, not cash.*

**PLEASE COMPLETE THE ENTIRE MEMBERSHIP FORM AND ATTACH WITH YOUR CHECK**

The LRO is a not-for-profit, tax-exempt organization. Dues and/or Contributions are not tax deductible.

**LRO Membership Information**

\_\_\_\_ Renew My LRO Membership \_\_\_\_\_ Register Me As A New LRO Member  
 \_\_\_\_ \$25 Annual Membership \_\_\_\_ \$100 Five year prepaid Membership \_\_\_\_ \$350 Lifetime Membership

Name: \_\_\_\_\_ Email address: \_\_\_\_\_  
 Mailing Address: \_\_\_\_\_ City: \_\_\_\_\_  
 State: \_\_\_\_\_ Zip Code: \_\_\_\_\_ Phone: \_\_\_\_\_

*The LRO Website allows dues-paying members to access the contact information of other members.*

*If you **DO NOT** want your information accessed, check here \_\_\_\_*

Check one: \_\_\_\_ Retiree with Pension \_\_\_\_ Vested for Pension \_\_\_\_ Surviving Spouse Check one: \_\_\_\_ Management \_\_\_\_ Non-Management

Retirement Date \_\_\_\_\_ Company At Retirement \_\_\_\_\_ Years of Service \_\_\_\_\_

How did you learn about LRO? \_\_\_\_ from a friend/former co-worker; \_\_\_\_ from the LRO web site; \_\_\_\_ from News Articles;  
 \_\_\_\_ from Pioneers/Retiree Clubs; \_\_\_\_ from Credit Union Publication Ad; \_\_\_\_ Other (please specify) \_\_\_\_\_

Would you like to be contacted about joining one of the LRO committees such as Membership, Benefits, Regional, Pension, Legislative or Legal?  
 Please specify: \_\_\_\_\_

**Lucent Retiree Organization Contacts**

[www.lucentretirees.com](http://www.lucentretirees.com)

**LRO Board of Directors**

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**Find the LRO on Facebook**

If you are a Facebook user, please click on the link below - you will have to sign in, and it will take you to the LRO Facebook page. We are working to make this page informative. If you have suggestions, please contact Pam Rasmussen at [pam\\_cougars@yahoo.com](mailto:pam_cougars@yahoo.com).

<http://www.facebook.com/#!/pages/Lucent-Retirees-Organization-LRO/119718694773981>

**Important Contact Information**

**Health & Welfare & Pension Plan Inquiries**

Alcatel-Lucent Benefits Center (ALBC) 1-888-232-4111

[www.resources.hewitt.com/alcatel-lucent](http://www.resources.hewitt.com/alcatel-lucent)

**Aetna Dental**

1-800-220-5479 (DMO) 1-800-220-5470 (PPO)

[www.aetna.com](http://www.aetna.com)

**UHC Medicare Advantage Group PPO**

[www.uhcretiree.com/alcatel-lucent](http://www.uhcretiree.com/alcatel-lucent)

For Information on coverage

1-888.980-8117 (TTY:711)

For information about providers 1-877-842-3210

**Express Scripts Medicare Prescription Plan**

1-800-230-0512 (If Medicare-Eligible)

(TTY: 1-800-717-3231)

[www.express-scripts.com](http://www.express-scripts.com)

**Express Scripts Prescription Plan**

1-800-336-5934 (If Non-Medicare-Eligible)

[www.express-scripts.com](http://www.express-scripts.com)

**United Healthcare Traditional Indemnity 1-800-577-8567**

**Medicare-Facts about Medicare Parts A, B, C & D**

1-800-633-4227 (TTY: 1-877-486-2048)

**SHIP contact information 1-800-MEDICARE**

[www.medicare.gov](http://www.medicare.gov)

**MetLife Life Insurance 1-888-201-4612**

**MetLife Long-Term Care (LTC) 1-800-984-8651**

[www.metlife.com/mybenefits](http://www.metlife.com/mybenefits)

**Social Security Administration 1-800-772-1213**

Update Personal Info. on file w/ Medicare

(TTY: 1-800-325-0778)

**Your Benefits Resources Website**

<http://resources.hewitt.com/alcatel-lucent>

**Alcatel-Lucent Advocacy Center 1-888-232-4111**

To escalate problem issues

**Alcatel-Lucent website for Benefits News**

[www.benefitsanswersplus.com](http://www.benefitsanswersplus.com)

**LRO Website [www.lucentretirees.com](http://www.lucentretirees.com)**

**LRO Benefits Email Address**

[benefits@lucentretirees.com](mailto:benefits@lucentretirees.com)

**Alcatel-Lucent Added Benefits 1-800-622-6045**

[www.addedbenefitsaccess.com](http://www.addedbenefitsaccess.com)