



The LRO Connection

LRO Annual Report for 2003 & Spring 2004 Newsletter

Note to LRO Members: If you have received this newsletter by mail, it is because we do not have a valid email address for you or for some other reason, your email agent rejected our message. The LRO can save printing and postage costs in the future by sending you an email version of the newsletter. Also, you'll periodically receive important email messages from the LRO. Please go to www.lucentretirees.com/lro-register-m.htm and re-register. Be sure to mark the box near the bottom of the form "changed registration". If your email address has changed since you registered, you can change it by going to www.lucentretirees.com/change-email.htm."

The LRO now has a little more than a year's worth of experience. We have had steady growth and your support has made it possible for our voice to be heard by Lucent, the public and government leaders.

From Ken Raschke **President's Perspective**

We have exercised our clout as Lucent shareholders, submitting three LRO-sponsored proxy statements. Lucent adopted as policy the one preventing pension fund credits to be used in the calculation of executive bonuses. The proxy on limiting "golden parachutes" (Proxy #5), as presented by Walt Ehmer, was backed by an UNPRECEDENTED, OVERWHELMING 65 PERCENT of the votes cast on the proxy at the Lucent Annual Meeting on February 18. The third proxy—seeking to establish independent directors to govern our pension benefit trusts—was rejected by Lucent and our subsequent appeal to the Securities and Exchange Commission was unsuccessful.

We had three face-to-face meetings with Lucent executives to present the LRO agenda. I'm convinced that these meetings were the catalyst for Henry Schacht's decision to conduct meetings with retirees in 10 cities across much of the nation. For the most part, retirees were disappointed by the messages that Mr. Schacht delivered, but he let us know where Lucent stands on pension and benefits issues. It gave us a clearer picture of what the LRO must do in the future.

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What are the key tasks ahead of us in 2004?

- We must continue to expand our membership to gain the talents and financial resources that our future requires. During our first year we were very pleased to see our membership grow to almost 7,000. While this represents real progress, we believe we can do better. Remember, our strength will be in direct proportion to the size of our membership. Do your part. Spread the word. Contact old Lucent colleagues and friends and make sure they visit the LRO website and sign-up! John Pellegrini, a name known to many retirees, recently signed on to be our Membership Director. He will work with Regional Directors to develop ways to attract more retirees—both management and non-management as LRO members.
- We will continue to press Lucent for the preservation and, if possible, the enhancement of pensions, healthcare and other benefits. Our pressure, in varying degrees, will come in many forms. We will endeavor to promote an increasingly successful Lucent with the expectation that its profitability will eventually translate into more secure pensions and benefits for retirees. When necessary, we will hold

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From Bob Janish Treasurer's Report

LRO's initial year as a not for profit organization was productive and encouraging. The core business achievements noted in Ken's address and those stated in our October newsletter are reflections of the arduous work and unrelenting effort applied by many LRO volunteers throughout 2003. From a financial perspective, we likewise achieved milestones that seemed beyond our imagination from what we envisioned when incorporated on January 28, 2003, some of which include: enrollment of 6909 LRO members; receipt of \$133,000 from dues and contributions; enlistment of a prominent CPA firm to oversee our financial results and requirements; IRS approval of tax exempt status for LRO; and, implementation of an accounting system to ensure preciseness, efficiency and control over all financial transactions. Clearly, there remains more to be accomplished, but the foundation established creates the path and impetus for moving us closer to our strategic needs. As a small measure of appreciation, we extend our gratitude to all volunteers, as well as our members, in helping LRO grow from start up desires to paving the direction for the future.

Report On Lucent's Annual Meeting

I was pleased to represent the LRO Board of Directors at the Lucent Annual Meeting on February 18 in Wilmington, Delaware. It was particularly meaningful for me because last August the LRO encouraged me--as a Lucent shareowner--to submit the LRO-sponsored proxy that would seek shareholder approval for future "Golden Parachute" severance agreements for Lucent executives exceeding 2.99 times an executive's base salary plus bonus. You can imagine my satisfaction when I learned at the Annual Meeting that 65 percent of the Lucent shareowners had voted "For" this proxy against the recommendation of Lucent management.

The meeting lasted a total of about 2 hours and 15 minutes. Lucent Chairman and CEO Patricia Russo presided over the meeting. During the Q&A portion of the meeting, LRO members Ed Prescott, from the Allentown area, Howard Jow, from New Jersey, and I were able to address questions to Ms. Russo on issues of concern to Lucent retirees. In my opinion, her answers were not very enlightening. When Ms. Russo ended the meeting there were still at least 10 people waiting to ask questions. The other LRO questions were submitted in writing and they promised to get back to us with answers.

Following the meeting, I spoke with Ms. Russo and urged her to encourage meetings with the LRO to help find solutions to the problems we have raised. She said she understood my message.

- *Walt Ehmer, Southeast Region Director*

Report On Regional Activities

Pacific Northwest and West Coast Regions: I attended a Weco (Western Electric) Installers (called The Fun Bunch) monthly meeting in Tacoma, WA in November. And, I joined the group as a member and distributed copies of the LRO Connection. In December, Howie King (West Coast Region Director) and I attended two annual Holiday meetings in California-- one at Sacramento and one at Berkeley. Howie made presentations at both and I handed out copies of the LRO Connection. I contacted a former boss of mine, Charlie Roberts, who lives near Boise. He was a District Manager in charge of the installation of Western's first ESS machine in the Mojave Desert. Charlie

has now joined LRO. *Chuck Whiteley, Pacific Northwest Region Director*

Southeastern Region: This past quarter has been one of getting to know the members in our region through meetings, telephone conversations and e-mail contacts. In 2004, we need to get more people actively involved in both gaining members and becoming more active in contacting our legislators. Since this is an election year it is critically important that we establish these contacts and make our legislators know that we need their help in preventing companies from renegeing on their promises to retirees in regard to benefits earned by the retirees during many years of employment. I attended the Lucent Annual Meeting and presented the proposal on limiting the executive golden parachutes. This proposal received 65% of the votes cast on the proxy. In addition I posed several questions to the independent directors at the Annual Meeting to make them aware of our dissatisfaction with managements actions in regard to eliminating insurance coverage and reducing benefits. My full report on the Annual Meeting is posted on the LRO website. We will be looking for state leaders in 2004 to improve our contacts with our members and to take the lead on meeting with legislators. *Walt Ehmer, Southeastern Region Director*

Southwest Region: At the January meeting of the Thunderbird Pioneers in Oklahoma, Charles Stapp, State Director, got almost 60 of the 200 attendees to take the forms for membership in the LRO. To date, we have signed up 19 new members

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(Continued from page 1) *From Ken Raschke President's Perspective*

Lucent executives accountable for their decisions by voicing our views in letters, in the news media and with government leaders in order to mold shareholder and public opinion to support fairness and justice for retirees. We intend to remain on the moral high ground and the invitation is always open for Lucent to be our partner.

- We will increase our alliances with the National Retirees Legislative Network (NRLN) and other retiree organizations to strengthen our ability to get legislation enacted that is in the best interest of retirees. We have an opportunity in this election year to use our votes as a means to place in office the presidential, congressional and senatorial candidates who understand the plight of retirees and will take action to improve those conditions. Remember, we have to be organized and VOTE to offset the lobbyists and their bankroll. Throughout the year we will keep you posted on issues and candidates critical to our success.
- The LRO believes negotiation and compromise are the preferred means for settling differences. However, we will draw on the expertise of LRO members with legal experience and when necessary retain legal counsel to advise us on issues that may require legal representation. The research and the development of documentation performed by the LRO will go toward supporting the class action Death Benefit lawsuit.
- We will work relentlessly to try to gain answers from Lucent to questions that we believe our members want addressed. Among these questions are . . .
 - ◆ Today, Lucent is a company with annual revenues of \$8 to \$9 billion, off a peak of \$38 billion in 1999. According to Lucent, this was a principal rationale for reducing retiree's healthcare. At the same time the top executives of this now smaller company, continue to enjoy lavish salaries and exorbitant bonuses. Why hasn't the top leadership of Lucent been willing to also make sacrifices, and not accept a large part of this compensation to demonstrate their willingness to share some of the financial loss that they have dealt to retirees?
 - ◆ Why won't Lucent agree to an independent auditor, jointly selected but paid for by retirees, to audit thoroughly the manner in which monies in pension plans have been administered since funding was transferred from AT&T?
 - ◆ We would like to presume that Lucent feels a moral responsibility to continue prescription drug coverage for retirees and want to know if that is the case?

These are just a few of the key areas where the LRO leaders will need your support in the months ahead. One thing our first year of existence has taught us is that the landscape on retiree issues is constantly changing whether it is actions taken by Lucent or bills in Congress. We must be adept at anticipating situations and reacting quickly. We constantly need to have "new blood" flowing into the leadership ranks of the LRO—men and women willing to step forward to invest their time and talents to advance our mission. If you are one of those individuals willing to serve the LRO, let us know. Take a look at the "want ads" in this newsletter for LRO jobs that need to be filled by volunteers. **LRO officers and other volunteers do not receive any form of financial compensation for their service.** Your job satisfaction will come from knowing that you are helping your fellow retirees. Together, we can make the LRO's mission to help retirees even more successful.

The LRO Connection

LRO Leaders

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Northeast (CT, DE, NJ, NY, PA) - Philip MacLaren - pjmacl@worldnet.att.net
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Mid Atlantic (DC, MD, NC, SC, VA, WVA) - Hal Worley - hworley@triad.rr.com
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Southwest (AR, KS, LA, MO, OK, TX) - Bob Allen - vetb@bellsouth.net
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Pacific Northwest (AK, ID, MT, OR, WA) - Charles Whiteley - cwhiteley@adelphia.net
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LRO IS THE WAY TO GO---WE NEED YOUR SUPPORT

Seeking Volunteers For LRO Jobs

If you would like to volunteer for one or more of the LRO "positions" advertised here or would like to apply your knowledge and skills in some other way to assist your organization, please send an email to rajanish@lucentretirees.com or write to or call your LRO Regional Director. Please provide in your response your name, email or mailing address and phone number.

Membership Recruiters

The LRO Membership Director and the Regional Directors are seeking members who are willing to make personal contact with their fellow retirees to urge them to become dues-paying members of the LRO. The contacts can be made in person, by phone, via email or through letters. This position provides a great opportunity to talk with former co-workers and make new acquaintances while being instrumental in accelerating the LRO's growth.

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(Continued from page 2) Regional Reports and renewed 12 from that meeting. All made a \$25 donation. Louisiana has been added to the Southwest Region and Bob Martina has agreed to be the State Director. Bob had worked in Shreveport for the past 25 years and knows many of the retirees and is quite active in dealing with elected officials on many issues. In the next few months we are making a strong push to identify and contact all retirees in the region.

Bob Allen, Southwest Region Director

Northeast Region: The year 2003 was most active and encouraging with continual involvement, meeting members through various venues including Pioneers, luncheons, personal letters, informal get-togethers, making presentations, news media interviews, innumerable telephone conversations with members and the all-important e-mail contacts. I also had the opportunity to meet face-to-face with a number of members at the Henry Schacht report-outs at both Somerset and Allentown. I view 2004 as an opportunity to establish the organizational structure that will carry our Region forward as the LRO leader of the future. We have exciting volunteers like Pat Smith, who has sensational ideas to reach-out and recruit new members through an innovative advertising program. We have Rich Janow, who has incredible ideas regarding approaching the legislative body on a state-by-state basis and carrying it forward to a national basis. The issue for 2004 is carefully focused legislator intervention, education and influence. I am looking for leaders in each state - don't be bashful - if you have the time and the resources and the chutzpa, please contact me.

Phil MacLaren, Northeast Region Director

**Get involved
in your
Region**

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The LRO has taken a more active role in participating with the National Retirees Legislative Network. The NRLN will add two part-time lobbyists this year. We are joining with other NRLN retiree groups

From Bill Kadereit

Government Affairs Report

across the nation to improve effectiveness in influencing the US Congress and Executive Branch of our Government.

A Coalition of NRLN retirees (Lucent, IBM, Xerox, Johns Manville, John Deere, Verizon, SBC, and 10-15 more) is gearing up at the state level to convince members of Congress that they must not support management that has and continues to abandon its retiree pension and healthcare promises. We will be asking Legislators, face-to-face, to take specific legislative action and will remind them there are 37,000,000 voting retirees; most of them having two voting children; maybe even a voting grandchild.

Finally, we have been approached by and have sought out other non-NRLN retiree groups to work with on Legislative issues where there is common ground. We will advance and leverage these alliances in 2004.

These efforts are designed to broaden and deepen our effort at the state level. Your Regional Director and state Directors will need even more support in 2004. We want to make certain every Congressional Representative and Senator in the US hears from each of you and sees you at Town Meetings this year. Please contact your Regional Director to help. Our website lists Regional Director email and phone contact information along with our positions on various Legislation. We encourage you to read this information to learn more about current laws, regulations and IRS codes that affect your Pension and Healthcare benefits.

In short the LRO:

- ◆ Opposes the Prescription Drug Plan in its current form. As written, it allows companies to cancel their current plans in favor of the inferior coverage offered by Medicare.
- ◆ Favors passage of HR 1322. It prohibits companies from reducing retiree Healthcare benefits.
- ◆ Opposes the law allowing a higher rate to be used to calculate pension trust liabilities, unless the so-called 125 % rule is abolished. This rule allows companies to take pension trust surplus.
- ◆ Favors passage of a new IRS tax law that would allow full deduction of Healthcare Insurance premiums for all retirees, without consideration of phase-out limitations.

Indifference toward those who earned Pensions and Benefits is appalling. Managers today have forgotten how to do it the hard way; by growing revenue and profits while meeting all its obligations. They have been lured into the practice of building company value to attract buyers of the company, not investors in its future. There is little consideration for retiree benefits in this kind of thinking.

The premise that Lucent will go broke if they pay healthcare benefits is no longer valid.

- ◆ Lucent's first quarter 2004 results are encouraging for shareholders – about \$250,000,000 profit. One can speculate, based on review of the business in the 10Q report filed with the SEC, and comments from others, that earnings may be \$1 Billion or more for 2004. Competitors are doing well also.
- ◆ Lucent said the value of the Death Benefit taken from the Pension trust was \$428 million and the payout was \$28 million a year, just 2.8% of speculated profits. **IT IS TIME TO GIVE IT BACK!** Many relied on it. They were lead to believe it was a guaranteed form of a survivor's annuity when they chose to retire.
- ◆ The blunt fact is that benefit reductions either in Healthcare coverage decreases or cancellation of benefits have reduced the real income (after-tax pension cash) of average retirees by better than 20% in many instances. Executives were paid bonuses for 2003. Maybe there will be no healthcare cuts announced in September 2004?

CONTACT REGIONAL DIRECTORS – SHOW UP – DEMAND CONGRESSIONAL HELP!!

(Continued from page 4) Seeking Volunteers For LRO Jobs

Pension & Benefit Plans "Experts"

The LRO is seeking one or more members who are highly knowledgeable about the Lucent pension and/or benefit plans. These individuals are needed to provide LRO leaders with additional insight into the language, intent and funding of Lucent (and AT&T) pension and benefit trusts. Also, knowledge of where to do research into the plans

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(Continued from page 5) Seeking Volunteers For LRO Jobs

would be most helpful. You'll make a significant contribution to your fellow retirees by helping to make sure they receive everything committed to them under documents with legal standing.

Website Postings Administrator

The LRO website requires postings and updates every day or two. It is important that we keep our members informed on retiree issues. We are seeking someone with Microsoft Frontpage experience to make regular updates and changes to the website as directed by the Communications Director. By spending a few hours each week at this task, you'll be helping expand the knowledge of Lucent retirees while attracting potential new LRO members to the website.

Message Board Moderators

Message boards on the Web are one of the popular and effective ways for members of an organization to communicate. Message board moderators are needed to administer the sites—stimulating discussion on topics, responding to comments, adding new "threads," deleting unused ones and promoting continuing "conversations." You will be making a worthwhile contribution toward building a "sense of community" among LRO members everywhere. High technical skills are not required.

Keep The LRO Strong – Renew Your Membership

When we retired none of us ever imagined we would encounter the reductions and eliminations of benefits that we have experienced from Lucent during this past year. But Lucent retirees and retirees from other companies have come face-to-face with the realities of how today's corporate executives and boards look down upon their retirees.

America's retirees are recognizing that they must band together to have a stronger voice with their former employers and push a pro-retiree agenda with their governmental leaders. As we enter our second year, the Lucent Retirees Organization would like you to renew your LRO membership if you haven't already done so for 2004. Please send your check for the \$25 annual contribution or a \$350 lifetime contribution to Treasurer Bob Janish at his address shown below. If your contact information has changed, you may update it with the Membership Information form below. Or, you may go to the LRO Home Page at www.lucentretirees.com to update your contact information by clicking on "confirm contact information."

All Lucent management and non-management retirees, active employees and surviving spouses are eligible to join the LRO.



PLEASE cut out this form, complete it & mail with your check to
Mr. Bob Janish, LRO Treasurer, 208 Richard St Cranford, NJ 07016-2546

2004 Membership Information

yearly dues are \$25
life-time dues are \$350

Renew My LRO Membership

Register Me As A New LRO Member

First Name

MI

Last Name

Street Address or P.O. Box #

City

State

Zip Code

Phone

Email Address

Check one: Retiree Active Employee Surviving Spouse

Check one: Management Non-Management

Retirement Date _____ Company At Retirement _____ Years of Service _____