



Lucent Retirees Organization

www.lucentretirees.com

April 2006

The LRO Connection

LRO Annual Report for 2005 & Spring 2006 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 reason, your email agent rejected our message. The LRO can save future printing and postage costs in the future by sending you an e-mail notice to read the newsletters on the LRO Website. Also, you'll periodically receive other important email messages. Accordingly, at the LRO Website Home Page [www.lucentretirees.com], go to "CLICK HERE TO CHANGE YOUR REGISTRATION DATA" and enter your latest email address information to ensure the LRO records are up to date.

LRO Dues -- 2006

If you have paid your 2006 dues, thank you. If you have not paid your 2006 dues, please consider sending them in as soon as possible. Dues are \$25 for annual membership or \$350 for lifetime enrollment. Personal contributions are always welcome. Your dues can be paid via credit card (which is most preferred as it reduces time and effort) by visiting our Website at www.lucentretirees.com and clicking on the payment feature; or by conventional check or money order made out to LRO, Inc and mailed to LRO, P O Box 1535, Cranford, New Jersey 07016. A special appeal is extended to those members who have never paid their dues and to those who have not kept their dues current: please consider doing so now. The payment coupon contained at the end of this newsletter should be completed and mailed with your remittance.

An email payment notification capability was implemented this month for members who have not paid their dues during the last twelve months or longer. A similar notification will be issued during the first week of each subsequent month informing applicable members that their last payment was twelve months ago or more. For members without computer access, notification of dues requirements will be sent via newsletters and general mailings.

The LRO has come a long way since being organized in January

Membership Advocacy

2003. However, much more needs to be done in enlisting eligible individuals into the organization. The Regional Directors are primarily responsible for soliciting and enrolling new members into the LRO, but they need our help. The job of canvassing and soliciting for new members is both arduous and costly; and the efforts devoted toward meeting with prospective members are often demanding. So how can we help our Regional Teams?

If each member would just contact and enroll just TWO new members into the LRO, our membership would quickly expand with very little added cost. Each of us knows and maintains contact with our former AT&T/Bell Labs/Western Electric/Lucent associates. A short phone call or a simple note to acquaint those individuals with the benefits of becoming an LRO member can make a mighty difference. If you need some assistance in conducting these engagements, your Regional Director is prepared and available to assist in any way possible. Please help by becoming an active member of the Enrollment Team!!

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Bulletin: Lucent Retirees Organization Reaches 10,000-Member Level

The Lucent Retirees Organization registered its 10,000th member on April 8, 2006. Registrations have surged to twice the normal level since news of a Lucent and Alcatel merger first appeared on March 24. The LRO received its charter as a non-profit organization in January 2003. Reaching the 10,000-member level in a little over three years is considered a significant accomplishment by most retiree organization standards. While this is a major milestone, the LRO recognizes there is more recruiting work to be done to gain a higher membership percentage of the 114,000 Lucent retirees. Current members must periodically review their membership profile in the LRO data base and update their email addresses and any other information that needs to be changed. Go to the LRO Website Home Page at www.lucentretirees.com, scroll down to "CLICK HERE TO CHANGE YOUR REGISTRATION DATA" and update your membership profile.

The LRO Connection

With the announcement on April 2, 2006 that Lucent and Alcatel have reached agreement on a merger, our landscape has changed. The LRO is already in the process of developing a new road map for the terrain we will have to navigate in our continuing mission to protect the pensions and benefits of our retirees.

Our first action was to issue a news release on March 24th, soon after the news first broke that Lucent and Alcatel were in merger negotiations. That news release to the press, which was shared in an email to our members and our website posting, presented our initial reaction to the potential merger. First, we wanted it understood that we were not opposed to the merger because some consolidation among telecom equipment companies in today's market is probably inevitable. Second, we wanted it to be known that if the merger took place the LRO wanted the merged entity to assure retirees and their families that their pension plan and the benefits earned through decades of service would be secure.

I stated in the news release, "We hope the leaders will move quickly to alleviate the anxiety that the announcement of the merger talks has created among retirees and their family members."

As news reports continued for a week about on-going negotiations we decided to prepare another news release with stronger descriptions of our concerns and provide it to major newspapers and wire services. The news release was distributed on March 30th under an "embargo" that reporters should only use it when, or if, Lucent and Alcatel announced a merger agreement. Some reporters were so eager to tell our side of the story they requested we lift the embargo. We agreed to do so on March 31st, and newspapers and wire services—the Associated Press and Reuters—immediately issued stories. Reports on the LRO's concerns for protecting pensions and benefits were carried in The Wall Street Journal, the Associated, Reuters, the Newark Star-Ledger and dozens of newspapers across the nation and websites.

My first quote in the news release was, "No one should want a foreign company to own a \$34 billion pension fund—worth more than twice Lucent's market value—unless safeguards are in place to protect the pension and benefits of 235,000 retirees and their dependents."

I stated that retirees and their dependents want assurances from the merged entity that their pensions and benefits will be carried forward and their pension plan will always be fully funded. I pointed out that government leaders must hold Lucent and Alcatel accountable for the security of the pensions and benefits of Lucent's retirees.

The LRO strongly believes what I said in this quote, "An independent entity should be appointed immediately to ensure that whatever action the merged company intends to take with regard to the pension plan is proper, and that details are made public to ensure they are in the best interests of retirees."

As the merger proceeds the LRO has competent legal counsel on merger and pension matters. Our attorney has advised us that under U.S. laws, pensions protected under ERISA cannot be taken away or reduced as the result of a merger. ERISA is the Employment Retirement Security Act that governs pension plans for American companies and foreign companies with a presence in the USA.

As I stated in our news release, "Lucent and Alcatel should not only do what is legally required but what is ethically and morally right."

LRO members who receive our emails and access our website know that on February 24, 2006, I sent a letter to Lucent Chairman and CEO Pat Russo asking why she had not been more forthcoming with information in her February letter to retirees and in her responses to retirees questions at the February 15 Lucent shareholders meeting. On March 8th, I was surprised that a response to my letter came not from Ms. Russo but from William Carapezzi, Jr., Lucent's chief corporate attorney. He reiterated in the letter Lucent's rehearsed corporate position on pension funding, health care and life insurance benefits. But what astounded me is that he stated: "*The LRO is now supporting*

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LRO Board of Directors

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(Continued from page 2) *From Ken Raschke President's Perspective*

multiple lawsuits against the company. For that reason, we cannot engage in any further dialogue as the matters you care to discuss are related to these suits."

My initial reaction was that Lucent was using the lawsuits as a convenient excuse to prevent the LRO from seeking explanations for a wide range of issues affecting retirees. These issues have nothing to do with issues being litigated. I was disappointed that Lucent would take this position as a result of the LRO's support of retiree causes in legitimate court proceedings. Furthermore, the LRO is not, and cannot be, a plaintiff in these lawsuits since the LRO does not have standing in the eyes of the courts.

When the news appeared about the merger talks taking place, it cast Mr. Carapezzi's edict for ending any further dialogue with the LRO in a totally different light. I suspect that Lucent was already working on the merger and had concluded that it no longer wanted to be subjected to the tough—and often embarrassing—questions that the LRO had been asking on pensions, health care and life insurance.

Lucent has made it clear they want no relationship with the LRO. We therefore will make our case for pension and benefit protections in the media, to Congress, to federal agencies and under ERISA law itself as circumstances require.

The LRO will keep you informed about how we steer the course over this terrain that is new to us. Now more than ever we need your moral and financial support.

From Bob Janish Treasurer's Annual Report

The following is proprietary information for LRO members only and is not to be reproduced or distributed.

As reported in previous LRO news articles, member dues are the prime source of revenue necessary for the operations of LRO in working to protect and preserve the retirement benefits of Lucent retirees and their dependents. Being a total volunteer organization, every dollar forwarded to LRO is directed toward expenses associated with our operational, administrative, and communications needs, and for payment of external services (e.g. fees associated with attorneys, consultants, professional advisors, national retiree organizations, CPA's, insurance, etc). This past year travel and living expenses were incurred solely for attendance at the four meetings held with Lucent plus one internal planning meeting held by the officers and members of the Board of Directors. We extend sincerest thanks to the many volunteers who contributed their time and energy for the goodwill of LRO, and to our members for their support and belief in LRO. Together, we can work to make a difference.

**Financials have been removed from this version of the newsletter
financials will only be accessible by LRO members
who will receive the link in an LRO email**

The LRO Connection

LRO Seeking Leader And Volunteers For Benefit Advocacy Team

Many retirees have found that dealing with Lucent is frustrating and time consuming. Lucent's rules seem to change often and it's not clear that each retiree is treated the same way. And rules could become even more complicated with the merger entity. To respond to this, the LRO Board has voted to form a Benefit Advocacy Team (B.A.T), with a mission to champion the concerns and issues of members and retirees in their day-to-day dealings with Lucent, its agents and others - and to inform every retiree of the results.

The LRO is seeking volunteers to serve as B.A.T members, and a chairperson is needed as well. The current Advocacy Champion Team (ACT) functions and members will be merged into the Benefits Advocacy Team with its broader responsibilities. Those responsibilities include:

Responsiveness: B.A.T will provide facts, references and shared experiences to help members and retirees deal with benefit concerns. B.A.T will make no recommendations for retiree's choices and will exercise caution to assure that its communications does not provide improper guidance.

Liaison with others: B.A.T will maintain liaison with other retiree groups and support organizations to advance its mission.

Communications: B.A.T will review all Lucent communications to retirees for accuracy, consistency and completeness and convey proposals for action to the LRO Board. B.A.T will maintain website pages for providing links of interest to retirees and a discussion board for benefits. Articles in the LRO newsletter will summarize important results.

Retiree satisfaction: B.A.T will monitor Lucent programs, such as the patient advocacy program, for retiree satisfaction and convey their conclusions/opinions to the LRO and to Lucent.

Formal support: In exemplary cases, B.A.T will assist retirees in filing formal claims with Lucent and government agencies. Retirees are expected to first use "normal channels" before requesting B.A.T support. B.A.T may also recommend legal action to the LRO Board in exceptional cases.

Expert assistance: The LRO Board will provide an annual budget for expert services to support this effort, as appropriate.

It is absolutely essential that the LRO hear from members willing to serve as team members and chairperson. Otherwise, the LRO, which is purely a volunteer organization, will be unable to implement the Benefits Advocacy Team. Interested members should notify Herb Zydney at eherb@att.net.

Update: Lucent Retirees' Lawsuits On Death Benefit And Health Care

The LRO monitors and supports the following two class action litigations against Lucent Technologies. These class action lawsuits seek redresses for reductions and terminations of certain retiree benefits by Lucent Technologies.

As a result of the LRO's support of these retiree causes in legitimate court proceedings, and notwithstanding that LRO is not and cannot be a plaintiff therein for want of standing, and as noted previously, Lucent notified the LRO on March 8, 2006 that it was unilaterally terminating all further dialog with the LRO. Lucent thereby stripped the LRO of its right and standing to seek explanations from Lucent for a wide range of issues affecting Lucent retirees that have nothing to do with issues being litigated.

LAWSUIT TO REDRESS REDUCTION AND ELIMINATION OF CERTAIN HEALTH CARE BENEFITS. A class action suit filed October 24, 2005 in U.S. District Court in Newark, NJ seeks redress from Lucent Technologies Inc. and benefits entities within Lucent for unlawful reductions and terminations of retiree medical benefit coverage. In February 2006 defendants filed a motion to dismiss the complaint. On March 10, 2006 plaintiffs filed an opposition to the motion to dismiss the complaint. Pleadings in this case are posted on the LRO website.

LAWSUIT TO REDRESS UNLAWFUL TERMINATION OF RETIREE DEATH BENEFIT. In October 2004 a class action suit was filed in U.S. District Court in Newark, NJ against Lucent Technologies to redress the unlawful termination, effective February 3, 2003, of death benefits owed under the pension plan sponsored by Lucent Technologies. An amended complaint was filed on November 1, 2005 adding further grounds for redress.

In December 2005 defendants filed a motion for summary judgment and a brief in support, plus a statement of material facts. On March 8, 2006 plaintiffs filed their brief in opposition to defendants' motion for summary judgment. Pleadings in this case are posted on the LRO website.

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As you know the LRO board has adopted a policy of working closely with the National Retiree Legislative Network (NRLN), headquartered in Washington D.C. In addition to my volunteering as the LRO Legislative Affairs coordinator, I also serve as an NRLN board member, member of the executive committee and as Vice President Legislative Affairs.

From Bill Kadereit

Legislative Affairs Update

Your LRO Media Relations Director, Ed Beltram, is also the NRLN Media Relations Director. Ed writes and posts messages that you may have seen on the NRLN website and CapWiz system. Ed is also the administrator for the NRLN CapWiz system. Our LRO Webmaster, Joe Sciulli, has rebuilt the NRLN website and also serves as the NRLN Webmaster.

We want you to know just how much we believe in the leverage gained by working with or through NRLN. This leverage applies to the NRLN's national legislative agenda, its media and lobby effort to influence Congress and the support of all NRLN associations, representing over 2,000,000 retirees in 21 other retiree associations scattered across America.

The LRO contributes \$3 per paid LRO member to the NRLN annually. For 2006 our support amounts to \$13,000 or 11% of our LRO budget. This \$13,000 is 5% of the 2006 NRLN board approved budget. Included in that budget is a Washington D.C. office, a large printing and postage bill, services of three lawyers (two of whom lobby). One lawyer serves as the NRLN Executive Director and lead lobbyist in Washington. By comparison, ARRP carries only one or two more in its lobby staff. It's all about leverage.

The NRLN is rapidly staffing its "grassroots" network. Soon we will have designated state leaders and as many leaders as possible in every Congressional Legislative District. Our Bob Martina (Shreveport Works retiree) is moving rapidly to find LRO volunteers for these roles in ten states where the LRO has NRLN responsibility to get this job done.

NOW IT IS YOUR TURN:

IF YOU LIVE IN ALASKA, ARKANSAS, GEORGIA, ILLINOIS, KANSAS, LOUISIANA, MISSOURI, NORTH CAROLINA, OHIO, OKLAHOMA, OR TEXAS, CALL BOB MARTINA 318-797-5419 or EMAIL HIM AT www.rfjm9870@aol.com. SHOW SOME OF THAT OLD SPIRIT OF THE WESTERN ELECTRIC AND THE PIONEERS, GET OFF THE SIDELINES AND GET IN THE GAME.

If you have not, you should thoroughly read through the information on legislation or the lack thereof that will affect all defined benefit plan retirees - see <http://www.nrln.org>.

We are currently lobbying the Pension Reform Conference Committee to influence the outcome of the Pension Reform Act. If you used CapWiz and were one of those who has sent one of the more than 11,000 messages to Congress in support of the NRLN pension reform bill agenda - thanks for helping. If you were one of those on the sideline waiting for others to help first, please help next time.

THE LRO BOARD ENCOURAGES LRO MEMBERS TO ALSO BECOME NRLN AT-LARGE ASSOCIATES - ENCLOSED IS AN NRLN MEMBERSHIP APPLICATION.

LRO Announces

New Secretary And New Pacific Northwest Regional Director

Ron Hoth, LRO Secretary, and Charles Whiteley, Pacific Northwest Regional Director, have resigned from the LRO Board due to other demands on their time. The LRO thanks Ron and Chuck for their service to the LRO and wishes them the best in their other endeavors.

Eli Shaff, who has previously served the LRO as Vice President and Secretary, has agreed to resume the Secretary duties. Eli, who had 36 years of service with Western Electric and AT&T Network Systems, was Sales Operations Director of the Account Team serving GTE when he retired in January 1996.

Walt Greenwood is the new Pacific Northwest Regional Director. He was the Creative Services Director for Lucent's public relations organization when he retired in 2000 with 23 years service. He served in various public relations assignments with Pacific Northwest Bell, AT&T and Lucent. Walt makes his home in Everett, Washington, near Seattle, where he operates his own media relations and communication agency.

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Lucent Shareholders Vote To Support LRO Proxy Proposals

A majority of Lucent shareholders voted in support of LRO-sponsored proxy proposals intended to tie the compensation of senior Lucent executives more closely to operating performance and key measures of shareholder value. The proxy proposals were on the ballot at the Lucent Annual Meeting on February 15, 2006 in Wilmington, Delaware.

Joanne Raschke's proxy proposal received 54% of the votes cast. If the Lucent Board implements the proposal, it would require Lucent to adopt a policy whereby at least 75 percent of the future equity compensation (stock options and restricted stock) awarded to senior executives be performance-based. In addition, the performance criteria adopted by the Lucent Board would be disclosed to shareowners.

Jim Stickel's proxy proposal received 53% of the votes cast. If the Lucent Board implements the proposal, it would require the Lucent Board to use a measure of earnings that excludes pension accounting credits from the calculation of performance-based compensation for Lucent executive officers. These non-cash "pension credits" result from projected (not actual) returns on pension fund assets and are not available for operating purposes or to pay dividends.

Pension credits are "phantom" income that pump up executive pay, creating incentives for management to cut pension and retirement benefits. Pension credits, an accounting measure that does not take cash out of the pension trust, provided 98% of Lucent's reported net earnings before taxes in FY 2004 and 82% in FY 2005.

Joanne and Jim have sent letters to Lucent asking whether they will adhere to the will of the majority of voting shareholders and institute the proxy proposals as policy. On March 29, 2006, Joanne received a letter from a Lucent attorney stating that her proxy proposal would be on the agenda for the next meeting of Lucent's Leadership Development and Compensation Committee in early May. Jim has not received a response to his letter from Lucent. It is unknown how the Lucent and Alcatel will impact the proxy proposals. In the past, Lucent has taken the position that the LRO-sponsored proxy proposals are "non-binding" because the company counts abstentions as votes against shareholder proposals.



Join The LRO

LRO dues are **\$25** for Annual membership or **\$350** for Lifetime membership. Please take time today to write your check to the LRO and mail it to: Mr. Bob Janish, LRO Inc., P. O. Box 1535, Cranford, NJ 07016-1535; or, if you prefer to pay by credit card, visit the LRO Website at www.lucentretirees.com.

Do not send cash.



Include this coupon with your check

LRO Membership Information

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 _____

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) _____