



Lucent Retirees Organization

www.lucentretirees.com

January 2007

The LRO Connection

LRO Winter 2006-2007 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 email 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 2007 Dues Request

The past year was outstanding for the LRO in terms of increased membership, overall income, percent of membership paying dues, and general contributions from our members. Additional information

about last year's experience, including our financial results, will be reported in the April edition of this newsletter; however, it is with great pride that we acknowledge the continued support and loyalty of our members in helping make the LRO the organization it is today.

The 2007 dues campaign has commenced and once again your support is requested by mailing a check or money order as soon as possible to: LRO Inc., P. O. Box 1535, Cranford, N. J. 07016; or if you prefer to pay by credit card, please visit our website at www.lucentretirees.com for instructions. Dues are \$25 for annual enrollment, or \$350 for Lifetime Membership. Payments made by check or money order should be accompanied by the registration coupon enclosed at the end of the newsletter. *Please do not send cash.*

Members occasionally ask about payment confirmation. The following should help members better understand our confirmation practices:

1. Payment made by credit card: immediately upon acknowledgement of receipt of payment by PayPal, a confirmation is sent to the member's email address.
2. Payment made by check or money order:
 - a) Members with email addresses will receive electronic confirmation immediately upon processing of the payment by the LRO Bursar.
 - b) Members without an email address will become aware of confirmation upon receipt of their canceled check or bank statement. Ordinarily, checks and money orders are processed and deposited in our bank within three to five days after receipt by the LRO Bursar.

If any of your personal profile information has changed, please visit our website to update the information accordingly. If you do not have computer access, highlight the changes on the registration form when submitting your dues and we will make the changes for you.

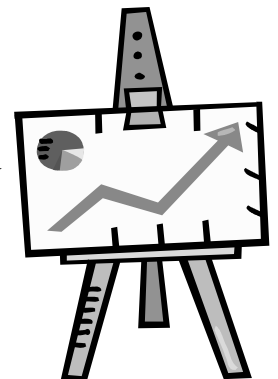
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Membership

As our Treasurer indicated above, membership enrollment in the LRO expanded greatly over the past year largely through the vigorous efforts of our Regional Directors and the dedicated assistance of many of our members in soliciting Lucent retirees. For all of your efforts, we are enormously grateful, but our job is not complete. Our enrollment to date represents approximately 10,500 Lucent retirees. With roughly 114,000 eligible retirees qualified to become members of the LRO, we still have a long way to go to reach out and locate the balance.

Our members provide the greatest resource for encouraging membership. Each of us knows and maintains contact with our former AT&T/Bell Labs/Western Electric/ Lucent associates. Possibly only a short note or phone call to these individuals expressing the awareness of the LRO may make a difference. If help is required in conducting these arrangements, the LRO Regional Directors are available to assist in any manner necessary. We thank our members for their dedication in helping foster the LRO's initiatives.



The LRO Connection

When we began our careers in the Bell System, who could have imagined the changes we have encountered in recent years. In a little more than two decades we've witnessed the breakup of the strongest telecommunication company in the world; AT&T's spin-off of Lucent Technologies; the fragmentation of the original Lucent, and Alcatel's acquisition of Lucent. Many retirees who never worked a day for Lucent still vehemently disagree with their being transferred into the Lucent pension and benefits plans.

During this period, many employees and retirees of what were formerly Bell System companies have paid a heavy price. AT&T management employees have had their "Defined Benefit" pension plan converted to a "Cash Balance" pension plan and thousands of employees lost as much as 50 percent of the value of their future pensions. Verizon management employees have had their "Defined Benefit" pensions frozen. Beginning on January 1, 2007, Qwest management retirees will pay all increased costs for healthcare insurance; life insurance is capped at \$10,000 rather than being the equivalent of one-year's salary, and there will be no future cost of living allowance increases to pensions. (The last COLA increase for retirees was in 1996.) There are probably other corporate actions that have negatively impacted our former Bell System "cousins" that I'm not aware of.

While the personal pensions of Lucent retirees have thus far not been harmed, many of us have suffered the loss of the death benefit that we were counting on of one-year's salary for our surviving spouse. We have also borne the burden of year-after-year increases in costs for healthcare insurance premiums, co-pays and higher out-of-pocket deductibles. Lucent also eliminated the healthcare insurance supplement for the spouses of thousands of management retirees. And Lucent cancelled the reimbursement for Medicare Part B costs.

Lucent retirees and other retirees from the former Bell System have been contesting these corporate assaults on the pensions and benefits we believe we have rightfully earned through decades of service. Retirees have filed numerous lawsuits in an effort to get the U.S. District Courts to protect our rights. Recently, federal judges in New Jersey have issued opinions and orders on Lucent's motions to dismiss retirees' lawsuits on the erosion of healthcare benefits and the elimination of the death benefit. (*See article on status of lawsuits.*)

In addition to court challenges of corporate executives' decisions, most of the former Bell System retirees have formed Retiree Associations. Most of the Associations—including the LRO—have recognized the reality of strength in numbers and have affiliated with the National Retiree Legislative Network. As you know, the NRLN is a non-partisan, grassroots coalition of Retiree Associations with a combined membership of more than 2 million men and women who are seeking to protect their pension and healthcare benefits through the passage of federal legislation.

As we move forward into the Alcatel Lucent era, the LRO Board will be examining how we might further enhance our partnership with the NRLN to secure laws and regulations that will guarantee the fair and equitable treatment of retirees. Tentatively, the LRO Board is planning to conduct a planning conference in March to update its blueprint for the future of the LRO. Prior to the meeting, we will invite LRO members to participate in a survey that will provide us with your input relating

(Continued on page 3)

From Ken Raschke
President's Perspective

LRO Board of Directors

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The LRO Connection

(Continued from page 2) **From Ken Raschke** *President's Perspective*
to the future role of the LRO.

Whatever we conclude together is the future role of the LRO, it is imperative that we have LRO members willing to step forward to become active volunteer leaders of our organization. A number of the current LRO Board Members have served on the Board since the creation of the organization four years ago. Unlike Justices on the U.S. Supreme Court, LRO Board Members do not aspire to lifetime appointments. Therefore, if you are willing to be considered for a leadership role or wish to volunteer in some other capacity, please send an email or letter to Bob Janish at rajanish@att.net or send via U.S. Mail to: LRO Inc., P.O. Box 1535, Cranford, NJ 07016.

At this point the LRO knows little about what the future may hold for retirees under Alcatel Lucent. We know that our pension plans will continue to be governed under the U.S. Employee Retirement Income Security Act and the Pension Benefits Guarantee Corporation remains our safety net. We do not know the meaning of Lucent's ominous-sounding declaration in the 2007 healthcare enrollment packet that stated: "We expect that there will be more changes made in 2008 and beyond, as Lucent further evaluates affordability for retiree healthcare. Unfortunately, this means retirees will have to continue to bear more of the rising costs in the future. ...Lucent will communicate more details early in 2007. We hope this will give you adequate time for planning before changes become effective in January 2008."

Whatever the news from Alcatel Lucent is in the future, we will continue on this journey together as long as Lucent retirees continue to see the value of banding together to try to protect their interests.

Alcatel Completes Acquisition of Lucent

France's Alcatel completed the acquisition of Lucent Technologies on November 30, 2006 in the wake of approval of the merger by President Bush and the Committee on Foreign Investment in the United States (CFIUS). The merged companies are known as Alcatel-Lucent.

In a statement issued on November 17, Alcatel and Lucent said: "CFIUS prepared a recommendation on the merger transaction to the President of the United States in the final phase of the approval process and the president has accepted the CFIUS recommendation that he not suspend or prohibit the proposed merger transaction, provided that, in time periods specified, the companies execute a National Security Agreement and Special Security Agreement to which they have agreed with U.S. government agencies."

Serge Tchuruk, chairman and CEO of Alcatel, is the chairman and Patricia Russo, chairman and CEO of Lucent, is CEO of the combined company.

According to Alcatel Lucent, shareowners will receive 0.1952 of an ADS (American Depositary Share) for every common share of Lucent that they currently hold except that a cash payment will be made in lieu of any fractional interest in an Alcatel ADS. Each ADS represents one ordinary share of Alcatel (as the combined company). The combined company's ordinary shares are traded on the Euronext Paris and the ADS are traded on the New York Stock Exchange. Lucent shareowners will receive instructions from Alcatel-Lucent regarding the exchange of shares.

An American Depositary Share, or ADS (represented by an American Depositary Receipt), is a negotiable U.S. depositary receipt, which usually represents an existing outstanding class of equity shares in a non-U.S. company. ADSs trade freely, just like any other security; investors can purchase and hold ADSs through full-service, discount, and on-line brokerage firms throughout the United States.

With the beginning of the New Year, the LRO is seeking members who are interested in serving in leadership and other volunteer roles. The LRO wants to hear from members who support our goals and are willing to serve as President, Vice President, Secretary, Treasurer, Regional Director or an At-Large member on the LRO Board.

Make a Resolution to be an LRO Volunteer

We also need men and women to help with activities, such as, recruiting new members, interacting with Lucent retirees and representing the LRO on legislative and other issues. If you possess any specialized experience in the fields of finance, data processing, public relations, technology, communications, or human resources activities, please contact us immediately.

To volunteer your time, knowledge and talents, please send an email or letter to Bob Janish at rajanish@att.net or send via U.S. Mail to: LRO Inc., P.O. Box 1535, Cranford, NJ 07016. Please provide your name, email or mailing address, phone number and a brief description on how you would like to help the LRO.



The LRO Connection

Three very important events occurred this past year:

The Pension Reform bill was passed by Congress; both the House and Senate power bases shifted from the Republican Party to Democrat control; and late in the year members of both Houses began to recognize the ever growing healthcare cost crises in the United States. We expect 2007 will be a year where both parties will debate the exact issues that the LRO through the NRLN have championed for two years: **Fix the U.S. healthcare cost problem, starting with the prescription drug cost problem.**

From Bill Kadereit

Legislative Affairs Update

First – fixing Medicare D requires recognition that competitive bidding as a means of purchasing prescription drugs for Medicare eligible retirees will result in lower cost of healthcare for these retirees and eventually all Americans. The model is in place and has worked for many years for military veterans who purchase through the Veterans Administration plan. In turn, this action will result in lower Medicare costs that could translate to less need for Social Security tax increases.



Second – in 2006 drug legislation was tabled that would create global drug industry competition. Drug importation is overdue and proponents of bills offer language that rigorously protects drug quality and import controls. The drug industry claims the incentive to invest in the R&D needed to solve new health problems will be lost. Technology advances in the telecommunications, auto, steel, airplane and other industries have accelerated as a result of global competition and many personal sacrifices were made by people involved in restructuring of these industries. Congress has to ask: why should the political and economic solution be different for the drug industry?

Third – U.S. drug companies pay fees to the Food and Drug Administration to test and approve brand drugs that can be patent protected. However, no such fees are paid to approve generic drugs and the FDA generic approval program is understaffed and under funded. Congress needs to pass legislation mandating adequate FDA staffing, and funding for the generic program and should ask the FDA to discontinue the practice of accepting money from companies that stand to benefit from approval.

The drug and insurance industries were the major advisors to Congress in the construction of the Medicare Prescription Drug Plan. Since the November election, drug company executives have formed an industry coalition, created a fund of over \$100,000,000 and hired practically every lobbyist available for hire that can influence Democrat and Republican members of Congress.

A major plank in the National Retiree Legislative Network's healthcare reform platform is to gain legislation that freezes healthcare subsidies at the level in place at the time of your retirement. As companies take back plan benefits (example: Lucent's Dental Plan, etc.) or in some cases cancel plans, they reduce or eliminate subsidies (caps), leaving retirees with no funds to pay for replacement coverage.

The LRO / NRLN and now AARP and others have closed ranks to communicate the need for necessary changes against the formidable challenge of industry lobbying of Congress and the Executive Branch.

Please, consult frequently with the NRLN website at <http://www.nrln.org> and when you get a CapWiz message to help, make your voice heard by sending email messages to your elected representatives. It does work. We were able to get 40,000 emails to members of Congress during our pension reform campaign, and it paid off in numerous wins. Our electronic contact on a personal basis is effective. Even more effective are personal visits with U.S. Senators and Representatives in their home state and district. Sign up to be a member of the NRLN Grassroots Network in your state by contacting Bob Martina, LRO / NRLN Grassroots coordinator at 318-797-5419 or e-mail him at rfjm9870@aol.com.

Finally, **join the NRLN** and provide needed financial support for increased lobby effort in Washington. Without your support it won't happen.

The LRO Connection

Judges Issue Rulings on Retirees' Lawsuit against Lucent; Decision to be Appealed

On November 28, 2006, the LRO received word from Alan Sandals, class action co-counsel for plaintiffs in the Death Benefit litigation against Lucent, that the District Court judge awarded "summary judgment" in the case in favor of the company and dismissed the case. Mr. Sandals has stated that notices of appeal of

the judge's decision were filed on December 6, 2006 with the U. S. Court of Appeals for the Third Circuit, based in Philadelphia. The LRO will monitor this phase of the suit closely; and will render any assistance needed to ensure that the Court of Appeals is fully informed of what the LRO believes are substantial infirmities in the District Court's reasoning.

Specifically it appears to retirees' counsel that the judge ignored several of plaintiffs' strongest arguments, deciding the case instead on provisions in ERISA (Employee Retirement Income Security Act) which generally (but not always) define a death benefit as a "welfare" benefit instead of a "pension" benefit. Welfare benefits have much less protection under ERISA, so this characterization was critical to the outcome. (Rights to pension payments are required to vest under ERISA.) In the court's view, therefore, the Lucent pension plan death benefit can be terminated since it is not actually a pension benefit, just a welfare benefit hiding in a pension plan. The Judge did not find any available exceptions to his interpretations of ERISA, that all death benefits are welfare benefits.

This part of the Court's decision appears either to misread or ignore provisions and assurances found in the AT&T Pension, Death and Disability Benefits Plan inherited in 1996 by Lucent. The Plan covers both the pension and the death benefit; and states that no changes in the Plan (either to pension or death benefit) may be made that "affect the rights of any employee to any benefit ...to which he may have previously become entitled hereunder." The question whether under the AT&T plan beneficiaries of employees and retirees become irrevocably entitled to receive the death benefit at some point, was left unanswered by the Court. The ruling also does not discuss considerable evidence showing that both AT&T and Lucent historically understood this death benefit to be a pension benefit.

Medical Benefits Lawsuit

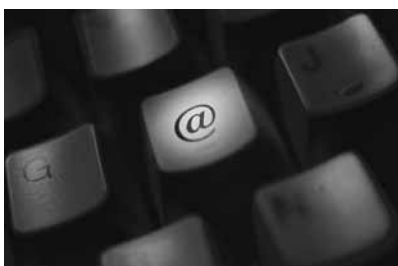
On September 28, 2006, a hearing was held on Lucent's motion to dismiss the lawsuit brought by retirees alleging that beginning in 2001 and thereafter Lucent made impermissible cuts in retiree medical benefits by terminating coverage for some spouses, reducing levels of coverage and raising deductible levels and co-payment requirements. The judge for the case issued an opinion on October 27, 2006 denying Lucent motion to dismiss the case. The judge ordered Lucent to provide the court with its input on the "substantive matters presented by the plaintiffs in this case," including but not limited to "the timeliness of such claims [and] whether deductibles and co-pays were charged in violation of Plan terms, and the impact, if any, on Plan participants."

While the court's order and opinion allowing the case to proceed does not necessarily translate to any particular outcome for Plaintiffs, Lucent now will be required to confront the consequences of its conduct in a legal setting and turn over documents and submit to questioning of company witnesses. The LRO will keep its members informed of developments as this important case progresses.

Links to the opinions and orders in the Death Benefit lawsuit and the Medical Benefits lawsuit are accessible from articles on the cases posted in "Latest Postings" on the LRO website.

Members Reminded To Visit LRO Website

LRO members who have access to the Internet are reminded to regularly visit the LRO website at <http://www.lucentretirees.com>. The website averages a little over 500 visitors a day. The most accessed page on the website is the "Latest Postings" under the "Recent Postings" icon. This is where the "hottest" news about the LRO and its members are posted. Other frequently accessed pages are under the "Press Clips" icon and include "Business News," "Healthcare News" and "Pension News."



The LRO Message Board is also a popular with members who want to communicate with others and express their views on various subjects. As of the deadline for this newsletter, there were 1,454 registered participants on the Message Board who had posted 511 messages on 103 topics. You may post your message by going to <http://www.xsorbit4.com/users/lucentretirees/index.cgi> and following the registration and posting instructions. Or you can access the message board by going to www.lucentretirees.com and click on the "Member Support" icon at the top of the page and then click "Member Message Board."

The LRO Connection

LRO Benefits Team Examining Healthcare Options

Lucent stated in its 2007 healthcare enrollment packet to management retirees that retirees will have to continue to bear more of the rising healthcare costs in the future. Lucent added it would be notifying retirees early in 2007 about healthcare changes so retirees can look into alternatives for 2008. The LRO Benefits Team is assessing the increased need for greater emphasis on understanding and identifying more choices and options for healthcare plans for Lucent retirees and their dependants. The Team members are examining healthcare plans in terms of eligibility, costs/premiums and health coverage. Also, they are aggressively studying the means and methods to help our members find and choose from viable healthcare options in the marketplace.

The Team expects to be pro-active when Lucent announces the changes to future healthcare plans in early 2007. The Benefits Team could use the help of LRO members with experience in Human Resources who understand the complexity of health plan design and delivery. Please email your name and contact information to Jerry Hanley at benefits@lucentretiree.com.

In an effort to assist the LRO Benefits Team and help your fellow retirees, LRO members who have found satisfactory alternatives to Lucent's healthcare plans are encouraged to share details on eligibility, cost and coverage by posting a message on the LRO website message board. You may post your message by going to <http://www.xsorbit4.com/users/lucentretirees/index.cgi> and following the registration and posting instructions. Or you can access the message board by going to www.lucentretirees.com and click on the "Member Support" icon at the top of the page and then click "Member Message Board." The information posted will assist LRO members and the LRO Benefits Team in the assessment of alternative healthcare plans.

LRO Owes Herb Z ydney Its Gratitude

Herb Z ydney has decided to resign from the LRO Board of Directors. Herb has been a tremendous asset to the LRO as a member of the LRO Board, providing tremendous research and analysis of Lucent's actions and into pension and benefits issues. The LRO owes a debt of gratitude to Herb for his years of service as a stalwart advocate for the rights of Lucent retirees. The LRO hopes to be able to call on Herb's special talents as needs arise in the future.



THANK YOU

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) _____