



## The LRO Connection

SPRING NEWSLETTER & 2007 ANNUAL REPORT

### LRO PRESIDENT'S COMMENTS, DEATH BENEFIT APPEAL, PENSION ACTIVITIES, MEMBERSHIP, AND 2007 ANNUAL FINANCIAL REPORT

#### CONTENTS

Andy's Column	1-2
Retiree Death Care Appeal	2
Health Care Lawsuit	2-3
LRO Benefits Column	3
LRO Pension Column	4
Membership Emails	4
LRO Membership Report	5
Annual Treasurer Report	5
"Why the LRO" Letter	6-7

#### Andy's Column - LRO President

andyguarriello@verizon.net

There is so much to cover in this, my first newsletter as President of the LRO. First, I want you to know that I will work tirelessly in growing the LRO into a voice that is heard and respected at Alcatel-Lucent (ALU) and in Washington. This will require every one of us however, to become an LRO activist. Yes, activist! By this I mean, **get involved --talk to us --talk to other Lucent retirees.**

Keep us informed of your Lucent issues. Encourage other Lucent Retirees to look us up on the web, read our newsletters and join the LRO! Because, only through continued membership growth will we be heard at ALU and in Washington. Your dues also provide the funding for us to fight for our issues with strength -- even in court, if necessary.

Secondly, I will continue to encourage open lines of communication between ALU and the LRO. This is vital for us and ALU. Only in this way can we ever expect to reduce the problems in ALU's benefit administration and gain a better understanding of ALU's retiree processes and programs. Equally important in this communication will be to participate,

up front, in ALU's retiree planning. That is, to be consulted prior to any benefit changes, processes or procedures. While ambitious on our part, gaining a voice and position with ALU prior to decision making could save all of us, including ALU, money and time in benefit administration. But we'll never get there unless we continue to grow our membership and persevere in communicating. To this end, we are currently communicating with ALU Management in Human Resources and Public Relations.

Lastly, I am convinced that through LRO membership growth and communication, we can find more effective ways for problem resolution than through the courts.

Having said all that, we have to consider the plight of ALU. ALU's financial situation has continued to deteriorate for all the reasons reported in the press on both sides of the Atlantic. I encourage all members to keep abreast of ALU's financial position. And while our Pension Fund continues under the protection of U.S. laws, these laws do not prevent ALU from exercising their control over our Fund, for only the LRO watches here.

To correct their financial position, ALU has suspended their dividend and laid off hundreds in the European Union (EU) and North America. Talks are rumored to be underway between several EU Finance Ministries for the purposes of ensuring continued employment and securing continued financing for operations. Until ALU becomes financially stable, continued "chipping" away of our benefits and pension fund is a strong possibility...as sadly as that's been in the previous years.

All of which brings me to my crystal ball: ALU will continue to aggressively manage our pension fund and in doing so, will direct any surplus to their benefit, not ours. In 2006, Congress passed pension

(Continued on page 2)

# The LRO Connection

(Continued from page 1) Andy's Column

reform, but this was only the beginning. Further pension reform is needed to: limit the use of pension surpluses in "buyouts"; require far greater public disclosure of pension fund operations; and require ALU to fully stand behind funding of the management and "represented" pension plans. All of these must be made a priority of the new Administration. Until then, our best position is for all of us to keep our membership growing and write our Congressperson. The LRO financially supports the NRLN (National Retirees Legislative Network) organization. In turn, they represent our concerns in Washington. For information as to their efforts and progress access their web site at [www.nrln.org](http://www.nrln.org).

Related to Benefits, the LRO fully supports two court cases pending against ALU, which are discussed further in this newsletter. Also, I am sad to report that the Supreme Court rejected an appeal to overturn an EEOC ruling allowing companies to cancel their supplementary Health coverage for those 65 and over. So here's where each and every one of us must become an activist. There is a bill in the House of Representatives -- HR1322 -- which is currently being amended and will remedy this discrimination. We're asking you to keep informed on the progress of this bill and it's amendments by accessing the web site of [www.ProtectSeniors.org](http://www.ProtectSeniors.org).

Also important, express your thoughts by writing your congressperson using the form letter shown at [www.ProtectSeniors.org](http://www.ProtectSeniors.org) and -- this bears repeating -- by contributing to the LRO, which funds the NRLN.

Please give us your best support so the LRO can pursue what's right for all! There's a big job ahead of us -- for all of us!! Together we will forge ahead!



## LEGAL AFFAIRS

Chuck Graves -  
jgraves@austin.rr.com

### *What's affecting you in Court?*

#### **Lucent Retiree Death Benefit Appeal**

Our Appeal was heard before the U.S. Third Circuit Court of Appeals in Philadelphia on April 16, 2008 in Philadelphia. It is now up to a three judge Federal panel to weigh the evidence and legal arguments and rule on the appeal. More to follow...

As you may recall, our appeal challenges Lucent's ability to terminate our Retiree Death Benefits as they did in February, 2003. The result of which, wiped out over \$400 million in future death benefits to over 30,000 retirees, including surviving spouses. The decision allowed Lucent to save \$400 million, while avoiding having to make a contribution to the pension fund which their finances could ill afford.

The Death Benefit was a part of the AT&T pension plan inherited by Lucent. AT&T funded the pension trust with tax-exempt dollars.

#### **Lucent Health Care Lawsuit**

We are currently awaiting a decision from U.S. District Judge Sheridan related to our class action suit on February 28. This complex case involves Lucent's violation of IRS regulations in maintaining a five year level of consistent health care benefits, when transferring (September, 1999) excess pension assets from the Management Pension Trust to an IRS Section 420 Health Care Trust. The purpose of this transfer was to clearly save Lucent money at a time of financial distress.

Essentially our suit seeks to provide remedy to our Retirees by requiring that Lucent follow IRS regulations.

Instead of "maintaining" the current benefit levels as required by the IRS, Lucent chose to maintain cost level. In other words, Lucent retirees picked up the additional cost of "maintaining" the benefit level, contrary to IRS

(Continued on page 3)

#### **11<sup>th</sup> HOUR REMINDER**

***Did you send your  
Health Care validation  
information to Lucent?***

**IF NOT, DROP EVERYTHING AND DO IT NOW. IT MUST BE IN THE MAIL BY MAY 16.**

If you have, keep your eye on the mail and look for Lucent to confirm receipt by July 1. If you have any questions, call the Alcatel-Lucent Dependent Verification Program Help Line at 1-888-898-1115.

(Continued from page 2) **LEGAL AFFAIRS**

regulations, but consistent with Lucent's own plan. So we'll see if the IRS regulations are strong enough to overturn Lucent's decision for the Retirees to bear the cost of "maintaining" the benefit level.

A full summary of this case can be found on the LRO website under "Legal and Legislative".

### Age 65+ Health Care Suit

The U.S. Supreme Court denied an AARP appeal of an EEOC (Equal Employment Opportunity Commission) rule exempting Employers from the Age Discrimination Employment Act (ADEA) in allowing employers to offer radically different Health Care plans to pre 65 year old retirees vs. post 65 year old persons. This clearly is a move by U.S. businesses to shift the cost of maintaining health care from business to the retiree and the U.S. government.

Essentially, business can now offer discriminatory, aged based Health Care plans. That is, Medicare for those 65 and older and for those under 65 an employer based plan.

The LRO is funding legislative efforts to encourage Congress to reverse this age discrimination and pass HR1322 or its amended version. All LRO members are encouraged to write to their congress person in influencing legislation in the new administration.

**Do we have your most current contact information? Email ID? Address?**



Please double check by clicking [www.lucentretirees.com](http://www.lucentretirees.com) and go to "CLICK HERE TO CHANGE YOUR REGISTRATION DATA" and enter your latest email address information.

**A current email address saves the LRO mailing \$\$\$'s.**

**Write us!**

**Tell us what concerns you.  
How we can help.  
Refer a new member.**

## LRO Benefits Column

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



Hi, I'm the new leader of LRO's Benefit Team and our 2008 objectives are:

- Create on-line "HelpLists" in assisting Lucent retirees in navigating complex healthcare and drug benefits.
- Ensure that Alcatel-Lucent provides necessary benefit information on a timely basis.
- Investigate why Medco prices are more expensive than other providers.

**Help Lists:** With all the success our LRO members had last year with our on-line "CheckLists", that is, comparing Alcatel-Lucent healthcare and prescription drug offerings with commercially available plans, the Benefits Team is searching for professional support for the next generation of CheckLists or "HelpLists." "HelpLists" would identify things like what references to read, who to call and what to ask or say. If you have suggestions on issues to address in the "HelpLists," please send an email to [benefits@lucentretirees.com](mailto:benefits@lucentretirees.com).

**Benefit Information:** Alcatel-Lucent often publishes critical benefit plan detail such as the Prescription Drug Plan Summary and Welfare Benefit Plan but not until after the enrollment period. The Benefits Team will work to see that the 2008 "Plan" documentation is available before the enrollment date. Also, the Benefits Team will advocate that Benefits Center personnel be trained in the official Plan documents prior to the annual enrollment period so they can provide accurate information and advice to Lucent retirees. The Benefits Center will be urged to provide retirees with a reference ID for all incoming calls, which is a common practice in the healthcare provider industry. This will help Lucent retirees have a record of when they talked with the Benefits Center and what was discussed.

**Medco prices:** Many Lucent retirees have complained to the LRO about prescription price increases in 2008. The Center for Medicare Services (CMS) has revealed that Medco, provider of the Alcatel-Lucent prescription drug plan, is free to charge whatever it chooses.

The Benefits Team will continue to evaluate drug purchase alternatives and provide this information, on-line to our LRO members.

*Please note,* if you have any questions about staying with the Alcatel-Lucent prescription drug plan after you become Medicare eligible at age 65, view our thoughts at [www.lucentretirees.com/benefitsteam](http://www.lucentretirees.com/benefitsteam). Here you will find 7 Steps to consider when deciding whether to stay with Alcatel-Lucent or choose a commercial plan.

# The LRO Connection

## PENSION WEB SITE

An on-line database containing pension advice and information on thousands of pension plans from those filed with the IRS  
[www.AtPrime.com](http://www.AtPrime.com)

## LRO Pension Column

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



The LRO Pension Team will be closely following Alcatel-Lucent activities including recently announced downsizings involving some 4000 employees. The LRO is concerned that any retirement incentive offered to these employees **NOT** involve the use of *pension fund assets*. Although Lucent did use pension assets to pay retirement incentives in the past, we have been assured by CEO Pat Russo that there are no plans to use such assets for incentive payments "at this time". The reason LRO objects to the use of pension fund assets to pay retirement incentives is simple one-time incentive payments have not been included in the calculation of pension obligations by actuaries and therefore no contributions have ever been made by ALU into the *pension fund* to cover such incentives. Any incentives to influence employees to retire should be charged to operating expense of the company.

Alcatel-Lucent is a French Company, with Lucent as its US subsidiary and where our Pension Fund assets reside. Due to the uncertainty of Alcatel's future direction and financial stability, the LRO's concerns remain to be the security of the pension fund assets in the US subsidiary and how the actions of the parent company could impact those assets.

## Member Emails

Ed Beltram - [edbeltram@msn.com](mailto:edbeltram@msn.com)



Many of the emails were from LRO members who encountered problems related to the prescription drug plan. Those who had experienced problems with Medco were sent information on how to file an appeal with Medco.

A number of retirees sent emails to the LRO describing what they had run into with Medco and Medicare on enrollment in alternative prescription

drug plans. These individuals were advised to send an email to John Hickey, Alcatel-Lucent Human Resources Vice President. In most cases, Mr. Hickey or a member of his staff responded and assisted the retiree in resolving the enrollment problem.

When Lucent retirees received the letter from Alcatel-Lucent requiring them to validate spouses and dependents, email volume increased.

Many of the comments were along these lines:

"What is going on? I retired in 1998 after thirty-two years service and my wife has been covered since we were married in 1970. Now Alcatel-Lucent wants proof that we are married in the form of a marriage license and additional proof that we are still married and living together."

"My question is why now since my wife has not changed for 52 years? Western Electric, AT&T, & Lucent have had this information on file since before my retirement in 1987."

"I just want you and everyone else to know that I **resent** having to verify my spouse! It's not bad enough that they keep eroding my benefits. Now, they add insult to injury!"

"If I was not so annoyed, I would have to be amused. One of the items that I have to send is a copy of our marriage license. It is so antique that it is in a safety deposit box at the bank. Are these people ridiculous or what?"

Where there was emotion, the LRO attempted to respond with reason without being an apologist for Alcatel-Lucent. The LRO sent a message to all LRO members with email addresses. The LRO members' frustrations and concerns were acknowledged, but the LRO stated "it is obvious that participants have little choice but to return to Lucent the signed DEPENDENT CONFIRMATION FORM with verification documents. The LRO urges all its members to do so in accordance with the instructions each participant received.

LRO President Andy Guarriello sent an email to Mr. Hickey raising questions about some aspects of the verification process. After Mr. Hickey responded, the LRO sent out another email to members providing the additional information it had learned.

**Have you paid your 2008 dues?**

Don't remember? Check it out online at [www.lucentretirees.com](http://www.lucentretirees.com).

Your contribution is much needed!



## Membership Report

**Walt Ehmer - elme0935@bellsouth.net**

Membership is vital if we expect to make progress on such critical financial issues as pension, health care and others. Nearly all the issues you highlighted in the survey require legal or legislative support.

Any impact, successful or otherwise, requires money, people and a robust membership list. Alcatel-Lucent or your elected Representative simply will not act unless we use lobbying power, the courts and legislation.

Without your financial support, membership and help, Alcatel-Lucent will simply do what's in their best interest and that is to survive at whatever cost to you! In short, please sell becoming an LRO member to those retirees who are not now members; give them the newsletter and web site. If that doesn't work, send me their email address or telephone number and I'll call.

### MEDCO APPEAL?

Medco is a Medicare contractor and as such, you can file a grievance against them or a network pharmacy.

Access the LRO web site at:

[www.lucnretirees.com/BenefitsTeam/docs/CMS-grievances-part-d.pdf](http://www.lucnretirees.com/BenefitsTeam/docs/CMS-grievances-part-d.pdf) **OR**

you can file a complaint at 800-230-0512 **OR** snail mail at:

Medco Prescription Drugs  
Service Grievance Resolution Team  
PO Box, TX 75063-9405



## Treasurers/Annual Report

**Dick McCauley - dickmccauley@yahoo.com**

The year 2007 was a successful financial year for LRO. We were encouraged by an increase in membership and this is reflected in our growing net income performance over 2006. Our net income will be added to our contingency reserve, which is absolutely necessary in defraying our added legal and legislative expenses. Additionally, our revenues are used to contract with the NRLN for legislative support. Complete LRO financials are on our website.

Lastly, our financials were audited by an independent CPA firm who "certified" LRO's financial reporting, processes and results.

### LRO INCOME STATEMENT - 2007

#### Operating Income:

Dues and Contributions	\$155,671
Interest	12,201
Other	2,500
<b>Total Income</b>	<b>\$170,372</b>

#### Expenses:

Administrative	\$ 9,259
Professional Services	30,800
Fees	26,421
Insurance	2,115
T&L	20,056
Annual Meeting	11,509
Communications	1,804
Document Library	1,080
<b>Total Expense</b>	<b>\$103,004</b>
<b>Net Income</b>	<b>\$ 67,328</b>

\* The LRO financial statement is proprietary information and is not to be reproduced or distributed in any form.

Note 1: The 2007 financial statement was audited by the CPA firm of Malesardi, Quackenbush, & Swift, LLC, Englewood, NJ

Note 2: LRO Operating Budget for 2008, as approved by the Board of Directors, is \$158,000



# Lucent Retirees Organization

LRO, Inc. - P.O. Box 1535 – Cranford, NJ 07016-1535

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

Email: [lro\\_message@lucentretirees.com](mailto:lro_message@lucentretirees.com)

April 2008

Dear Lucent Retiree:

Some 11,000 retirees are now registered LRO members. To ensure its ever-stronger voice on behalf of all retirees, the LRO must retain current members and expand its ranks with new members.

The question could be asked: “Why should a retiree want to continue to be or become an LRO member”? To respond, let’s consider events that have impacted many Lucent retirees:

- Death Benefit eliminated.
- Part B Medicare reimbursement discontinued.
- Dental coverage stopped.
- Healthcare coverage for dependents ended.
- Cost of healthcare premiums and copays increased.
- More costly prescription drug plan.
- No cost-of-living pension adjustment since 1999.

Most retirees are angered by the erosion or elimination of benefits. That anger must be channeled into productive actions. That’s where the LRO comes into play.

Thus far the LRO has taken action on many fronts. It has:

- Been working with professional experts in the fields of pensions, healthcare, and other retiree programs to better understand our rights as retirees.
- Supported three LRO members in their filing of a class action lawsuit against Lucent over the elimination of the Death Benefit. When the Federal District Court granted a summary judgment to Lucent the LRO has supported the appeal to the U.S. 3<sup>rd</sup> Circuit Court of Appeals and worked with the National Retiree Legislative Network (NRLN) to file an Amicus (friend of the court) Brief supporting the retirees’ case.
- Supported Lucent retirees filing a lawsuit charging that the company failed to maintain healthcare benefits for retirees as required by law and by Lucent’s medical plans.
- Has collected input from hundreds of retirees and built a pension and benefits Documents Library useful to attorneys for possible discovery purposes should other legal actions become necessary.
- Has dug deep into Lucent’s filings with federal agencies and uncovered data that has resulted in questions being put not only to Lucent, but to the Securities and Exchange Commission to extract in-depth information as regards all pension, healthcare and life insurance issues.
- Prior to the fall 2007 healthcare and prescription drug plan enrollment period, the LRO Benefits Team developed “Checklists” for retirees to use to compare the company-sponsored plans against commercially available plans to assist them with their decisions.
- Been highly visible in major publications and television network broadcasts to emphasize Lucent’s “broken promises” and their negative impacts on retirees.
- Partnered with the NRLN and other retiree organizations to bring the voices of millions of retirees to bear on our nation’s political leaders. The objective being to ask for their action in addressing and supporting the passage of legislation that will better safeguard the pension and benefit commitments made to retirees.
- Grassroots efforts including LRO members resulted in the passage of the Pension Protection Act of 2006.
- Currently, Capitol Hill lobbying efforts are being directed at gaining legislation to reverse an Equal Employment Opportunity Commission Rule that allows employers to reduce or eliminate healthcare benefits to retirees when they turn age 65 and become eligible for Medicare. While the EEOC’s Rule eliminates the risk of age discrimination lawsuits against corporations who cut benefits, it does nothing to guarantee that

*(Continued on next page)*

(Continued from previous page)

retirees under the age of 65 will continue to receive benefits. All retirees lose unless the Rule is undone!

- Efforts are also underway to reduce the cost of prescription drugs via legislation to allow the importation of safe and lower-priced drugs, and reducing the backlog on the Federal Drug Administration's approval of generic drugs.
- Changes to the Employee Retirement Income Security Act (ERISA) are being sought to prevent companies such as Alcatel-Lucent from using pension assets to provide severance pay to employees during corporate restructuring.

A Lucent retiree might wonder whether the LRO's actions have benefited them. Although difficult to quantify, the only possible conclusion has to be that the LRO's actions - by presenting a unified retiree voice - can only have made a positive contribution to the welfare of retirees. Who can say what other negative actions the company might have taken if the LRO had not been behaving as a "watchdog"? A watchdog who has been holding Alcatel-Lucent's decisions on pensions and benefits up to scrutiny by the media and by our government leaders!

*The LRO's vigilance must continue!* It is the only approach for us all. The support of all retirees is essential!! While all of the activities that have been, and will be, undertaken are on a voluntary no-salary basis, the expenses for the details (library, mailings, legal support, external professional support, research, administration, etc.) are significant.

**Whether you're renewing your dues-paying membership in the LRO or becoming a new dues-paying member for the first time, please complete the attached "Join the LRO" form and mail it with your check to the address shown. Or, you can pay your dues with your credit card by going to the LRO website at [www.lucentretirees.com](http://www.lucentretirees.com) and click on the "Join Us" tab at the top of the home page.**

Without your financial and personal support, the LRO will find it difficult to sustain the momentum for many of the actions mentioned above. To say the least, continuance in the pursuit of preserving and protecting the pension and benefits of Lucent retirees and their dependents would become very difficult.

*Please* - pass this letter on to other retirees who may be unknown to us. **Support the LRO!** Convince your friends and associates that joining the LRO as a dues-paying member is the best thing to do for their retirement security!

To prevail, we must support LRO initiatives!! Thank you in advance!

Sincerely,

Andy Guarriello, LRO President

## 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: **LRO Inc., P. O. Box 1535, Cranford, NJ 07016-1535**. If you prefer to pay by credit card, visit the LRO Website at [www.lucentretirees.com](http://www.lucentretirees.com). **Do not send cash.**



**Include this coupon 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

\_\_\_\_\_  
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) \_\_\_\_\_