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## Lucent Retirees Organization

K.O. Raschke, President - 231 Pinetuck Lane – Winston-Salem, NC 27104

Email: [kraschke@triad.rr.com](mailto:kraschke@triad.rr.com) Phone: 336-765-9765

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

July 28, 2006

Ms. Patricia Russo, Chairman & CEO  
Lucent Technologies, Inc.  
600 Mountain Avenue  
Murray Hill, New Jersey 07974

Dear Pat:

In your July 13, 2006 letter to me, you invited the Lucent Retiree Organization to send to you a limited number of questions that we have about the F-4 filing. In the attachment are some of the key questions on the minds of LRO members. As you know, individual LRO members have different concerns and we have framed our questions so that these different concerns of our members and other Lucent retirees are being asked.

We hope that you will be able to provide insightful answers to the questions so retirees will become better informed about the future security of their pension and benefits. We look forward to receiving your responses.

Sincerely,

Ken

Ken Raschke

Attachment

## QUESTIONS TO LUCENT CHAIRMAN & CEO PAT RUSSO FROM THE LRO

1. Ms. Russo in her letter of April 25 stated in part ...."the 34 billion in pension assets are held in trust funds exclusively for Lucent retirees". Lucent's CFO made a similar statement to analysts which was reported on an 8K filed by Lucent. Since the Management Pension Plan is underfunded by approximately \$1 billion and the Non-management plan overfunded by more than \$2 billion, wouldn't separate disclosure of both amounts be a fairer disclosure?
2. Does Lucent have any plans to provide the additional funding for the Management Plan before the acquisition is completed?
3. Although we recognize that the Death Benefit which Lucent eliminated in 2003 is currently the subject of litigation in a class action suit, wouldn't this be an appropriate time for Lucent to consider restoring the benefit or search for some way to reach agreement with the "class"?
4. The Lucent Retirees Organization has long felt that the fiduciaries appointed by Lucent to oversee its Pension and other plans are not truly independent, although we recognize that using employees of Lucent as fiduciaries is not illegal. Rather than suggesting major changes, we would like to propose a small modification to the number of fiduciaries. We would propose to ask that you add two "ex-officio" individuals to the fiduciary body, one from management retirees and one from non-management retirees. These individuals would have access to all of the information available to the other fiduciaries and participate in discussions but would not have a vote. We believe this is a reasonable compromise.
5. At the time of the acquisition by Alcatel, will a Trust be established and fully funded to pay supplemental pensions (those paid currently from operating funds)?
6. Are the assets currently in the Life Insurance Trust sufficient to pay all future claims from beneficiaries of those currently covered by this benefit?
7. Health care benefits are important to a large number of retirees, especially those under 65. Can you provide any additional information as to any changes in benefits that might be made this year or next?
8. Will the companies fund a VEBA trust to pay for the added health care costs created by the transfer of Alcatel U.S. employees to the new Lucent U.S subsidiary?
9. The combination of the potential for lower asset values (lower market values) and the potential for increased pension liabilities should Alcatel U.S. employees participate in the LRIP, combined with the effect of new ERISA funding rules may drive the LRIP funding level down from its 108% level, as last reported. Will Alcatel and Lucent assure funding of the plan back to the 108% level?
10. Lucent's recent 10K stated that "legislative actions could impact U.S. pension plans, if adopted. The proposed pension reform legislation could significantly increase the funding requirements for our U.S. pension plans." If the legislation is adopted in its present form will Lucent share with the LRO your current estimate of the new ERISA funding levels, separately for the management and the non-management pension plans?
11. Can you assure management retirees that the new Lucent will not use management pension plan assets to pay for corporate restructuring inducements to retire, namely layoff allowance and / or severance pay not offered to other vested participants?
12. In your April 25, 2006 letter to Lucent Alumni, you said "The way the deal is structured, Lucent will become a subsidiary of a larger parent company after the merger, and will remain the plan sponsor of the Lucent pension plans." This U.S. subsidiary is described more fully in the Alcatel F-4 at page 46 and elsewhere. Will you please confirm that the parent company, to be based in France, remains unconditionally responsible to meet the pension and benefit obligations of the subsidiary, if for any reason the subsidiary cannot meet those obligations or is dissolved? If so, can you provide that part of the merger agreement that references this obligation of the parent company?