

January 13, 2010



Lucent Retirees Organization

Advocating
Retirees'
Rights

Office of Regulations and Interpretations

Employee Benefits Security Administration

Room N-5655

U.S. Department of Labor

200 Constitution Avenue NW

Washington, D.C 20210

Subject: Annual Funding Notice for Defined Benefit Plans (RIN1210-AB18)

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The following comments are submitted by the Lucent Retirees Organization (LRO) for RIN1210-AB18 which proposes final rules for implementing the Annual Funding Notice (AFN) for Defined Benefit Plans in ERISA 1974 as amended by the Pension Protection Act of 2006 (PPA) and Worker, Retiree, and Employer Recovery Act of 2008 (WRERA). The LRO is a retiree organization representing over 90,000 retirees and dependents covered under the Alcatel Lucent Retirement Income Plan. These comments are based on input received from thousands of retirees who attended meetings that the LRO conducted to review Annual Funding Notices issued by Alcatel Lucent (ALU) in April 2009 and April 2010.

The comments submitted will reference financial reports and funding data presented by ALU. These references should not be interpreted in any way as criticism of ALU. We believe that ALU has fully complied with the AFN interim guidelines and SEC pension filing requirements. Rather, these references provide actual examples of the AFN's deficiencies in timeliness, completeness, and transparency. Although we concur that the AFN is a significant improvement over the previous Summary Annual Report (SAR), there are numerous improvements that still need to be made to provide plan participants with a timely and meaningful funding analysis.

We will address our comments in three primary areas:

1. The timeliness of the data included in the Funding Target Attainment Percentage.
2. The use of a single discount rate for liability amounts shown in the AFN.
3. The provision of readily available information showing the distribution of assets within a Master Trust.

With regard to timeliness, it is unacceptable to have rules which result in the issuance of an AFN that presents a 16 month old Funding Target Attainment Percentage (FTAP). The AFN issued to our constituents in April 2010 presented an FTAP for January 1, 2009. Conversely, as a result of SEC annual filing requirements (10Ks and 20Fs), ALU issued a 20F on March 23, 2010 for the period ending December 31, 2009. An extensive and informative pension footnote (#25) was contained in the 20F. Pension plan assets and liabilities for December 31, 2009 were presented. The investment community received 12/31/09 data on March 23, 2010, whereas, plan participants received 1/1/09 data in the April 2010 Annual Funding Notice. Some may argue that there are differences in the pension accounting calculations required by U.S. Generally Accepted Accounting Principles (SFAS 158) versus the AFN funding calculations, and that these differences delay the issuance of the AFN. However, we quote from ALU's footnote #25: *"Preliminary evaluation of the funded status of the U.S. Management Pension Plan for regulatory valuation purposes indicates that the plan is over 100% funded at year end. On the other hand, this plan was underfunded by \$1.232 billion on 12/31/09 for accounting purposes. Although certain data such as 12/31/09 private equity and real estate values and the January 1, 2010 census data will not be final until the second quarter of 2010, we do not expect any contributions being required through 2011."*

Our conclusion is that all the data needed for a January 1, 2010 FTAP calculation was available by the second quarter of 2010. Therefore, we believe it would be more timely to issue an AFN by June 30th which contains an FTAP as of January 1st of the current year rather than issue on April 30th an FTAP that is for January 1st of the prior year. In other words, reduce the timing lag from 16 months to 6 months. Some parties may argue that the Fair Market Value of Assets section of the AFN accomplishes the same reduction in time lag because it presents assets and liabilities for the end of the plan year in addition to the FTAP beginning of year values. This approach is outright dangerous for a plan participant's understanding of the plan's funded status. For example, in ALU's AFN (for 1/1/08 through 12/31/08) the Fair Market Value of Assets section stated that, as of 12/31/08, assets were \$15.5 billion and liabilities were \$14.9 billion. The subsequent AFN (for 1/1/09 through 12/31/09) valued 1/1/09 assets at \$15.1 billion and liabilities at \$13.5 billion. For a one day measurement difference, assets changed \$400 million and liabilities \$1.4 billion. There is no way that the vast majority of participants would understand these dramatic changes even if we knew the discount rates used to calculate the liabilities. In order for this section to be meaningful to participants, it is essential to eliminate the significant differences in the calculation of plan obligations. See our comments that follow relative to the determination of plan obligations.

In the area of measuring liabilities and assets, there are major disclosure deficiencies in the AFN. For any liability calculations in the AFN, disclosure of the discount rates used must be included as well as how those rates were determined. Referring back to footnote #25 in ALU's 20F, plan participants have asked us why there is at least a \$1.2 billion difference between financial accounting and the AFN funding calculations. Undoubtedly, discount rate differences are the major driver. However, the AFN does not currently require disclosure of the discount rate. We are attaching to this submission a copy of the letter we wrote to Assistant Secretary Borzi on July 8, 2010 describing the major confusion that differing discount rates cause. The response to that letter received from Ms. Sharon Watson, Director, Office of Participant Assistance was dated December 8, 2010 and contained the following statement:

"While we appreciate that differences between reported assets and liabilities might be confusing to participants and beneficiaries, these differences are attributable to differences in reporting periods and in the purposes of the specific reporting requirements, some of which are beyond the jurisdiction of the Department of Labor."

As we stated in our letter to Ms. Borzi the Federal Government agencies and departments should work together to produce a single, easily understood, yet reasonably accurate discount rate.

With regard to the asset allocation table of the AFN, it appears that this is a direct extraction from Schedule H of the 5500. This table allows plans that participate in a Master Trust to disclose absolutely nothing about their asset allocation approach. For ALU, plan assets are in a Master Trust. Therefore, 100% of the assets are shown as part of a Master Trust on line #11. At a minimum, if a plan's assets are invested in a Master Trust, the plan sponsor should also be required to breakdown the Master Trust assets into the other categories in the table. Furthermore, for any plan, the asset allocation categories in the AFN lack transparency. The majority of participants think in terms of equity, fixed income, real estate, private equity, and limited partnerships. Participants would be better served if the AFN used this categorization and the disclosure approach required for SEC reporting rather than the 5500 format.

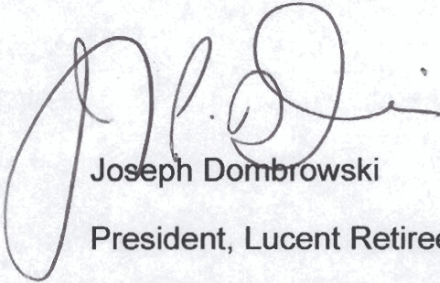
Our constituents are also concerned about the measurement validity of the assets in their plan. To address this, the AFN should be enhanced to include the three level fair value measurement hierarchy introduced in SFAS157 and contained in SEC filings.

In conclusion, the AFNs issued by ALU follow the model notice format contained in the proposed regulation. It is our understanding that the model notice is intended to help the average plan participant understand and comprehend the information mandated in section 101(f). However, our experience with ALU retirees strongly indicates that the current model notice broadly fails to achieve its stated intention. We believe that

adoption of our submitted comments would significantly enhance the understandability and comprehensibility of the AFN.

If you have any questions or comments, please contact the undersigned at the telephone number or e-mail address provided below.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'J. Dombrowski', with a large, stylized initial 'J'.

Joseph Dombrowski

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Ms. Phyllis C. Borzi

Assistant Secretary of Labor of the Employee Benefits Administration

200 Constitution Avenue, Suite 2524

Washington, D C 20210

June 28, 2010

Dear Madam Assistant Secretary:

The Lucent Retirees Organization (LRO) represents over 90,000 retirees and dependents who are covered by the Alcatel-Lucent Retirement Income Plan. Our primary purpose is to assist these individuals in matters that affect their pensions and healthcare benefits. As you may know, the LRO is also affiliated with the National Retiree Legislative Network (NRLN) as a "primary" association within that organization and are represented on their Board of Directors.

We are writing to seek your assistance because your agency has responsibility for the Annual Funding Notice (The Notice) now required by the Pension Protection Act of 2006. Additionally, since the Pension Benefit Guaranty Corporation (PBGC) is also included among your responsibilities, we are also addressing concerns related to that agency to you.

Since the "Notice" was first issued in 2009, the LRO has been holding a series of retiree meetings across the United States to help our retirees understand the information provided, as well as helping them with other benefit matters. We have also published information contained in the "Notice" both on our Website and in our periodic newsletters. As you can appreciate, the primary concern and source of many of our members concerns the safety and adequacy of the funding of the pension plan that provides their monthly checks. Helping these people to understand this is greatly complicated when there are a number of different ways of determining funding levels which result in significant variations in reported funding levels.

To illustrate the problem, I have attached a statement that shows assets and obligations of the Alcatel-Lucent Management Plan for recent time periods as reported in various documents. This statement illustrates the point that the variations in asset levels are relatively small related to the total assets and can be readily explained and understood as reflecting market conditions. For example, total assets declined almost \$ 4 billion during 2008 and increased about \$ ½ billion in 2009. Those are movements that reflect the movement of the overall market and are easily understood.

Conversely, the movements in plan obligations are neither logical nor understandable and appear to be the result of different reporting parties using different discount rates for the same period and for the same obligations. For example, the "Notice" provided this year, as of 1/1/09, reported \$ 13.5 billion in obligations. The "Notice" also reported that at 12/31/08 (just one day earlier) obligations were \$ 14.9 billion. The Form 20 F at 12/31/08 reported \$ 16.1 billion or a difference of almost \$ 3 billion for that one day. The same "Notice" that reported the \$ 13.5 billion indicated that the obligation had then increased by over \$ 3.1 billion during 2009.

I am not suggesting that ALU is not reporting correctly or in accord with the law, your rules, and those of the Accounting regulators, but, I am suggesting that this type of reporting is unnecessarily confusing to our retirees, and there seems to be no logical reason why such variations in obligations occur.

In addition to this reporting, I understand that if the PBGC were to calculate these same obligations they would likely calculate an even larger number resulting from overly conservative discount rates as compared to the actuarial determinations made by pension plan administrators. Our understanding is that when the PBGC calculates a pension plan's obligations, it does so on a "termination basis" that adopts the discount rate, mortality, and other assumptions used by for profit issuers of insurance annuities, resulting in plan funding levels far lower than what companies report to retirees and to shareholders under the Pension Protection Act accounting rules. Although I have no specific knowledge of how the total PBGC deficit is determined, I believe it is reasonable to assume the same conservative approach to the discount rate may be used in this determination also.

We are asking that your organization work with those in the Federal government involved in this "mess" to decide on a single method of calculating the discount rate and other assumptions used for this reporting. It seems the same discount rate that companies use to prepare their financial statements as outlined by the SEC and the FASB could be used for this reporting. Our 90,000 retirees, as well as others would certainly appreciate receiving information they can readily understand, believe in, and find consistent with other data they receive. Retirees, who are often shareholders of their company, become unnecessarily confused and anxious when they receive these conflicting reports about the funding status of their company's pension plan

We very much appreciate your consideration of this very difficult matter. Our people would be pleased to meet with members of your staff and others if you think that would be helpful in reaching a resolution. Should your people have questions or would like to discuss this in more detail, Frank C. Minter, our LRO, Pension Director would be pleased to hear from them. His email address is fc_minter@aol.com.

Yours truly,

Andrew M. Guarriello, LRO President