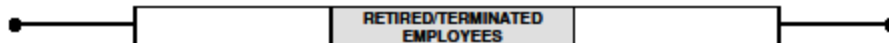




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Annual Funding Notice

FOR PLAN YEAR JANUARY 1, 2010 THROUGH DECEMBER 31, 2010

Alcatel-Lucent Retirement Income Plan

PENSION PROTECTION ACT OF 2006

- “NOTICE” TO BE PROVIDED
- “PROVIDED NOT LATER THAN 120 DAYS AFTER END OF PLAN YEAR TO WHICH NOTICE RELATES”
- FOR BEGINNING OF 2014 INFORMATION THIS MEANS IT IS TO BE RECEIVED BY 4/30/2015

NOTICE TO WHOM

- PLAN ADMINISTRATOR SHALL FOR EACH PLAN YEAR PROVIDE A FUNDING NOTICE TO:
 - PENSION BENEFIT GUARANTY CORPORATION (PBGC)
 - EACH PLAN PARTICIPANT AND BENEFICIARY

ANNUAL FUNDING NOTICE

Funding Target Attainment Percentage

| | 2013 | 2012 | 2011 |
|---|------------------|------------------|------------------|
| 1. Valuation Date | 1/1/2013 | 1/1/2012 | 1/1/2011 |
| 2. Plan Assets | | | |
| a. Total Plan Assets | \$18,217,270,855 | \$17,888,185,252 | \$16,319,045,972 |
| b. Funding Standard Carryover Balance | \$58,806,669 | \$52,237,226 | \$22,199,981 |
| c. Prefunding Balance | \$0 | \$0 | \$0 |
| d. Net Plan Assets: (a) - (b) - (c) = (d) | \$18,158,464,186 | \$17,835,948,026 | \$16,296,845,991 |
| 3. Plan Liabilities | \$15,216,756,591 | \$15,140,633,748 | \$16,131,392,991 |
| 4. At-Risk Liabilities | Not applicable | Not applicable | Not applicable |
| 5. Funding Target Attainment Percentage: (2d)/(3) | 119.3% | 117.8% | 101.0% |

FUNDING NOTICE ATTAINMENT PERCENTAGE

(In Millions)

| | 2014 | 2013 | 2012 |
|--------------------------------|----------|----------|----------|
| 1. Valuation Date | 1/1/2014 | 1/1/2013 | 1/1/2012 |
| • 2. Plan Assets | | | |
| • a. Total Plan Assets | \$19,903 | \$18,217 | \$17,888 |
| • b. Carryover Balance | \$126 | \$58 | \$52 |
| • c. Prefunding Balance | \$0 | \$0 | \$0 |
| • d. Net Plan Assets: | \$19,777 | \$18,158 | \$17,835 |
| • 3. Plan Liabilities | \$15,526 | \$15,216 | \$15,140 |
| • 4. Funding Target Attainment | | | |
| – Percentage: (2d)/(3) | 127.3% | 119.3% | 117.8% |

Source: Page 1 pf AFN

PLAN PARTICIPANTS

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| ACTIVE PARTICIPANTS | 11574 | 10792 | 10127 | 9455 | 8652 |
| RETIRED & RECEIVING BENEFITS | 56879 | 62073 | 71501 | 70388 | 86987 |
| ENTITLED TO FUTURE BENEFITS | <u>26530</u> | <u>26812</u> | <u>26320</u> | <u>20418</u> | <u>33047</u> |
| TOTALS (2009 TOTAL 97212) | 94983 | 99677 | 107948 | 100261 | 128686 |

2011 Totals include 6200 transferred into the plan in 2010

2012 Totals include 10,400 surviving beneficiaries of formerly represented employees transferred into the plan

2013 Deferred vested pension numbers include those who took the buyout offer in 2012

2014 Numbers include 30,000 retired and deferred vested participants transferred from the represented pension plan

PLAN PARTICIPANTS

- 2008
- 7000 ALCATEL EMPLOYEES IN US WERE ADDED TO THE MANAGEMENT PLAN WITH ABOUT \$ 300 MILLION IN EXCESS ASSETS
- 2010
- 6200 RETIREES WERE TRANSFERRED FROM THE REPRESENTED PLAN TO THE MANAGEMENT PLAN WITH \$ 790 MILLION IN ASSETS AND \$ 530 MILLION IN OBLIGATIONS
- 2011
- 10,400 SURVIVING BENEFICIARIES WERE TRANSFERRED FROM THEE REPRRESENTED PLAN TO THE MANAGEMENT PLAN WITH \$ 886 MILLION IN ASSETS AND \$ 560 MILLION IN OBLIGATIONS
- 2013
- 30,000 DEFERRED VESTED RETIREES WERE TRANSFERRED FROM THE REPRESENTED PLAN TO THE MANAGEMENT PLAN WITH \$ 1.7 BILLION IN ASSETS AND \$ 1.1 BILLION IN OBLIGATIONS

PLAN PARTICIPANTS

- SUMMARY OF EXCESS ASSETS TRANSFERRED WITH THE PRECEDING MOVEMENTS
- 2008 \$ 300 MILLION
- 2010 \$260 MILLION
- 2011 \$ 326 MILLION
- 2013 \$ 600 MILLION
- TOTAL \$ 1,486 MILLION

FAIR MARKET VALUE OF ASSETS

| <u>NOTICE</u> | <u>12/31/11</u> | <u>12/31/12</u> | <u>12/31/13</u> | <u>12/31/14</u> |
|--------------------|-----------------|-----------------|-----------------|-----------------|
| • PLAN ASSETS | \$18,805.5 | \$19,119.9 | \$19,708.2 | \$20,241.6 |
| • PLAN LIABILITIES | \$ 18,541.2 | \$18,932.0 | \$17,898.7 | \$18,269.7 |
| • FUNDING STATUS | 101% | 101% | 108.4% | 110.8% |

| <u>FORM 20F (SEC)</u> | <u>12/31/10</u> | <u>12/31/11</u> | <u>12/31/12</u> | <u>12/31/13</u> | <u>12/31/14</u> |
|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| • PLAN ASSETS | \$17,104. | \$ 18,689 | \$ 19,006 | \$ 19,287 | \$ 20,111 |
| • PLAN LIABILITIES | \$ 17,858 | \$ 19,613 | \$ 19,600 | \$ 18,296 | \$ 21,095 |
| • FUNDING STATUS | 96 % | 95% | 96.8% | 105.4% | 95.3% |

ASSET ALLOCATIONS

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------------|------|------|------|------|------|------|
| Equity Securities | 15% | 16% | 9% | 11% | 9% | 8% |
| Fixed Income | 68% | 67% | 74% | 74% | 74% | 60% |
| Real Estate | 6% | 6% | 6% | 6% | 7% | 4% |
| Private Equity & Other | 11% | 11% | 11% | 9% | 10% | 15% |
| Cash # | | | | 4% | 5% | 13% |
| Totals | 100% | 100% | 100% | 100% | 100% | 100% |

Note -Cash at 12/31/14 2014 \$ 3.9 billion. Increase of \$ 2.7 billion

SUMMARY OF RULES GOVERNING TERMINATION OF SINGLE EMPLOYER PLANS

- DISCUSSION REQUIRED BY PENSION
PROTECTION ACT OF 2006 (BOILER PLATE)

LUCENT HAS STATED THEY HAVE NO PLANS TO
TERMINATE (PENSION PLANS CONTRIBUTED \$ 531
MILLION TO ALU INCOME IN 2009, 683 MILLION IN
2010, and 863 MILLION in 2011

BENEFIT PAYMENTS BY PBGC

- IF EMPLOYER PLAN TERMINATES PBGC WILL TAKE OVER AND PAY BENEFITS
- MAXIMUM BENEFIT IF PLAN TERMINATES IN 2013
\$ 57,477 ANNUALLY AT AGE 65(IN NO CASE LARGER THAN FORMER PENSION)
LARGER OR SMALLER AMOUNTS FOR AGES ABOVE OR BELOW 65.
PBGC ADJUSTS FOR ADDITIVES SUCH AS AGE OR SERVICE

PENSION PLAN FROZEN FOR ACTIVE EMPLOYEES

4TH QUARTER 2009

RECORDED 216 MILLION EURO REDUCTION IN PENSION
OBLIGATION DUE TO NO FURTHER EARNING OF BENEFITS
FOR ADDITIONAL SERVICE

REDUCED PENSION EXPENSE BY ABOUT \$ 100 MILLION

REINSTATED IN 2014

PENSION PLAN FOR ACTIVE EMPLOYEES REINSTATED IN 2014

- ALU announced that it will begin to provide active management employees pension credits by allocating pension assets equal to 6% of salary.
- This announcement stated that it replaces the \$ 75 million cash contribution to match employee's contribution to their 401K plan
- This will now be provided to every employee regardless of personal contribution to their 401K
- It is similar to a cash balance pension plan