

Review of Alcatel-Lucent Pension and Other Retiree Obligations



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Except for historical information, all other information in this presentation consists of forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995, as amended. These forward looking statements include statements regarding the future financial and operating results of Alcatel-Lucent, such as the expected impact of our pension and retiree health care obligations on our financial statements. Words such as "expects," "anticipates," "targets," "projects," "intends," "plans," "believes," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements which are not statements of historical facts. These forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to assess. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. These risks and uncertainties are based upon a number of important factors including, among others: our ability to operate effectively in a highly competitive industry with many participants; our ability to keep pace with technological advances and correctly identify and invest in the technologies that become commercially accepted; difficulties and delays in achieving synergies and cost savings; fluctuations in the telecommunications market; exposure to the pricing pressures in the regions in which we sell; the pricing, cost and other risks inherent in long-term sales agreements; exposure to the credit risk of customers; reliance on a limited number of contract manufacturers to supply products we sell; the social, political and economic risks of our global operations; the costs and risks associated with pension and postretirement benefit obligations; the complexity of products sold; changes to existing regulations or technical standards; existing and future litigation; difficulties and costs in protecting intellectual property rights and exposure to infringement claims by others; compliance with environmental, health and safety laws; whether Alcatel-Lucent can execute against and obtain benefits from its three-year plan to improve gross margin, cut operating expenses, and turn around underperforming businesses in order to achieve an improved operating margin, and whether these efforts will achieve their expected benefits; the economic situation in general (including exchange rate fluctuations) and uncertainties in Alcatel-Lucent's customers' businesses in particular; customer demand for Alcatel-Lucent's products and services; control of costs and expenses; international growth; conditions and growth rates in the telecommunications industry; and the impact of each of these factors on sales and income. For a more complete list and description of such risks and uncertainties, refer to Alcatel-Lucent's Form 20-F for the year ended December 31, 2007, as well as other filings by Alcatel-Lucent with the US Securities and Exchange Commission. Except as required under the US federal securities laws and the rules and regulations of the US Securities and Exchange Commission, Alcatel-Lucent disclaims any intention or obligation to update any forward-looking statements after the distribution of this news release, whether as a result of new information, future events, developments, changes in assumptions or otherwise.

2008 Pension and Retiree Obligation Review for Investors

Opening Session: Rémi Thomas

1. Background on Pension and Other Retiree Obligations (Mark Gibbens)
2. Accounting Review (Bob Owens)
3. Q&A
4. Review of Gross Balance Sheet Positions (Mark Gibbens)
5. Asset Allocations for Pension Plans (Mark Gibbens)
6. Historical Perspective on Returns (Mark Gibbens)
7. Contribution Risk Analysis (Mark Gibbens)
8. Summary (Mark Gibbens)
9. Glossary
10. Q&A

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Background on Pension and Other Retiree Obligations

Mark Gibbens

Corporate Finance and Chief Investment Officer

Background - Pensions and Retiree Healthcare

Many global companies have historically provided defined benefit pension plans

- These result in liabilities to participants which accrue over an employee's service life and get paid out over post-retirement life span
- Cash flow obligations continue up to 50-70 years from current time (Current employees pre-retirement service plus lifespan after retirement)
- Most US and Western European regulatory environments (applicably, US, UK, Netherlands and Belgium) require the maintenance of a funding level in a non-company owned trust
- Defined benefit plans have either fiduciaries or trustees who are responsible for the investment of the assets in the trust and the appropriate investment policies and approaches



Background - Pensions and Retiree Healthcare

Retiree healthcare is primarily a United States obligation which provides top-up benefit above US Medicare after age 65 (for pre-65 it provides a complete capped benefit)

- Most Western European countries do not provide a top-up benefit
- Some companies (including ALU) utilize a structure called VEBAs (Voluntary Employee Benefit Association under Internal Revenue Code Section 501(c)(9)) which provided a tax benefit to companies funding a retiree healthcare plan



History

Both Alcatel and Lucent had defined benefit and retiree healthcare in many countries

- Over 70 plans across Alcatel-Lucent
- However, vast majority of pension and health care obligations arise from former Lucent in the US (86% of obligations)
- Lucent's obligation resulted from the spin-off from former AT&T (before SBC purchase)
 - Lucent took approximately 2/3 of the retirees of AT&T due to ownership of Bell Labs and Western Electric, large installation and manufacturing footprint

Obligations largely arise due to legacy of Lucent being part of larger telecommunications service company until 1996

History (continued)

Significant actions have occurred to limit growth (or even reduce liabilities) for pension and healthcare obligations

- Beginning in 2008 - no new entrants to US defined benefit plans
 - Former Alcatel Plans frozen in 1998
- Retiree healthcare obligations significantly curtailed and reducing

Although significant number of plans exist, liability and cash trends continue to decline

Funding Analysis - US Regulatory Situation

US Government passed Pension Protection Act of 2006

- Fundamentally changed funding calculations
 - Reduced five year asset smoothing to no greater than 24 months
 - Updated discount rate to a market based Corporate AAA-A yield curve
 - Accelerated funding requirement down to 5-7 years from service life
 - Funding commences if assets fall below 100% of target liability
 - Phase-in period which has funding requirement increase from 92% of target liability in 2008 up to 100% by 2011



Funding Analysis - US Regulatory Situation

■ Result

- Pension funded status becomes more volatile due to shorter smoothing periods
- When underfunded, must contribute faster than previous regulations
- Near-term risk reduced due to phase-in period
- Additionally, IRC section 420 transfers are now more flexible



New pension legislation in US creates more risk of funding than old laws – but ALU positioned quite well

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Accounting Review

Robert Owens

US Chief Accountant

Agenda

- Overview
- Discount Rate
- Expected Rate of Return
- Other Actuarial Assumptions
- Actuarial Gains/Losses & Plan Amendments
- Pension Asset Ceiling Limitations
- Section 420 Transfers
- Recognition of Actuarial Gains/Losses
- Changes in Benefit Obligations
- Change in Plan Assets
- Funded Status
- Change in Net Asset (Liability) Recognized
- Component and Classification of Net Benefit Credit
- IASB Projects/Deliberations
- March 2008 Discussion Paper

Accounting Overview

- IAS 19 Employee Benefits - Applies to all employee benefits including post employment benefits whether funded or unfunded
 - Pensions
 - Post employment medical care and life insurance
 - Other retirement benefits
- Requires accrual accounting over employee's service period
- Separate accounting and calculations for each plan

- Complex accounting
 - Actuarial assumptions
 - Smoothing mechanisms

Discount Rate for Benefit Obligations

- Used in calculating the PV of the obligation and interest cost
- Consider rates at which benefits could be effectively settled
- High-quality fixed-income investments (corporate AA yields) commensurate with duration of obligations
- Updated quarterly for significant plans



Discount Rate for Benefit Obligations

- Impact of increase in discount rate
 - Lower obligation, giving rise to actuarial gains (positive impact)
 - Higher interest cost (negative impact)
- 0.50% change results in ~ €50m change in Finance income and ~ €1,300m change in benefit obligation
- Increased by 0.50% to 6.04% from December 31, 2006 to December 31, 2007 (6.20% at March 31, 2008)

Most significant assumption in determining the benefit obligation
Extremely volatile

Expected Rate of Return on Plan Assets

- Reflects long-term view and not necessarily subject to frequent change
- Directly related to asset portfolio mix
- Updated annually
- Differences between expected and actual return on plan assets included in actuarial gains/losses



Expected Rate of Return on Plan Assets

- Impact of increase in rate of return - higher pension credit
- 0.50% change results in ~ €150m change in Financial Income
- Expected weighted average rates of return:

• 2005 - 4.28%

• 2006 - 7.35%

• 2007 - 7.39%

• 2008 - 7.05%

Significant change due to inclusion of former Lucent plans with more equity-oriented asset allocation policies

Reduction results from \$4.7 bn sale of equity for fixed income which reduced long-term expected earnings

Significant judgment applied but historically have exceeded expectations during the long-term

Other Actuarial Assumptions

- Mortality rates
 - Actual experience for most recent four years (Lucent retirees)
 - RP 2000 and other actuarial tables
- Salary increases (3.83%)
- Participation - 3% to 5% opt out rates for healthcare
- Healthcare cost trends
 - Based on forecast from actuaries (7.70% - 5.90%)
 - Impact limited by
 - Caps
 - Demographics
 - Cost drivers

All assumptions are carefully selected

Actuarial Gains/Losses and Plan Amendments

■ Actuarial Gains and Losses

- Actuarial gains or losses result from:
 - Changes in assumptions
 - Differences between assumed and actual experience
- Recognized as incurred in SORIE

■ Plan Amendments

- Prior service impact of plan amendments recognized over average period until the benefit becomes vested
 - Or immediately to the extent that benefits already vested

P&L volatility
Actuarial gains & losses – No
Plan Amendments – Yes

Pension Asset Ceiling Limitation

- Carrying Amount of Pension Asset Limited to -
 - Unrecognized Past Service Cost and Actuarial Losses
 - Present Value of Available Economic Benefit
 - Refunds from the plan
 - Reductions to future contributions to plan (Section 420 transfers)

- Limitation (€ millions)

	Mar-08	Dec-07
Funded Status of RHCO - Rep	1,656	1,775
Medicare Part D Subsidy	279	299
NPV Future Service Cost	561	644
Lucent Plans	2,496	2,718
Other Plans	748	754
Prepaid Pension Costs	3,244	3,472
Unrecognized surplus	3,483	3,736

Asset ceiling position mitigates significant balance sheet exposure

Section 420 Transfers

- Source of Available Funding for Retiree HealthCare Obligations under IRC - expires 2013
- Eligible Plan Assets as of January 1, 2008
 - € 2.3B for Collectively Bargained Transfers
 - € 2.7B for Multi-year Transfers -- Requires 120% funding during transfer period
- Impact of Transfers
 - Reduces assets and liabilities
 - Quarterly cash flow
- Changes in Funding Levels / New Legislation
 - Equity impact
 - Ultimate amounts available for funding

Reduces potential cash outlays for healthcare obligations

Recognition of Actuarial Gains/Losses

- On January 1, 2007, adopted policy allowed by ¶ 93A of IAS 19
- Immediately recognized in SORIE, outside of profit and loss
- Also includes impact of asset ceiling limitations

€ millions	Mar-08	Dec-07
Actuarial Gains (Losses)	(147)	2,207
Change in Recognized Surplus	(5)	(2,201)
SORIE Recognition	(152)	6

SORIE election mitigates significant P&L volatility

Change in Benefit Obligation

Benefit obligation at January 1, 2007 (€ millions)	(30,230)	
Service Cost	(158)	P&L
Interest Cost	(1,575)	P&L
Plan Participants' contributions	(165)	N/A
Amendments	249	P&L
Actuarial gains and (losses)	1,135	EQUITY
Benefits paid	2,645	CASH
Foreign currency translations and other	2,674	EQUITY
Benefit obligation at December 31, 2007	(25,425)	

Declining due to demographics
Also foreign currency

Change in Plan Assets

Fair value of plan assets at January 1, 2007 (€ millions)	30,197	
Expected return on plan assets	2,119	P&L
Actuarial gains and (losses)	1,072	EQUITY
Employers' contributions	257	CASH
Plan participants' contributions	165	N/A
Benefits paid/ Special termination benefits	(2,580)	CASH
Foreign currency translations and other	(2,999)	EQUITY
Fair value of plan assets at December 31, 2007	28,231	

Actual returns exceeded benefit payments
Foreign currency impact

Funded Status

(€ millions)	Dec. 31, 2007	Mar. 31, 2008
Fair value of plan assets	28,231	25,961
Benefit Obligation	(25,425)	23,341
Funded status	2,806	2,610
Unrecognized surplus (due to application of asset ceiling)	(3,736)	(3,483)
Net amount recognized on balance sheet	(930)	(873)
of which		
Prepaid pension costs	3,472	3,244
Pensions, retirement indemnities and other post retirement benefits	(4,402)	(4,117)



Change in Net Asset (Liability) Recognized

(€millions)	March 31, 2008			December 31, 2007		
	Pension Benefits	Post-retirement benefits	Total	Pension Benefits	Post-retirement benefits	Total
Net asset (liability) recognized at the beginning of the period	1,955	(2,885)	(930)	1,585	(3,517)	(1,932)
Recognized in profits (losses)	98	(42)	56	555	73	628
Recognized in SORIE	(177)	25	(152)	(91)	97	6
Contributions and benefits paid	30	88	118	186	111	297
Other (reclassifications and exchange rate changes)	(161)	196	35	(280)	351	71
Net asset (liability) recognized at the end of the period	1,745	(2,618)	(873)	1,955	(2,885)	(930)
of which:						
Prepaid pension costs	3,244	-	3,244	3,472	-	3,472
Pension, retirement indemnities and post retirement benefits liability	(1,499)	(2,618)	(4,117)	(1,517)	(2,885)	(4,402)

Component and Classification of Net Benefit Credit

(€millions)	Pension	Post-retirement	Total	Operational	Financial	Restructuring	Other
Service cost	(148)	(10)	(158)	(158)	-	-	-
Interest cost	(1,358)	(217)	(1,575)	-	(1,575)	-	-
Expected return on plan assets	2,077	42	2,119	-	2,119	-	-
Prior service cost amortization	(4)	-	(4)	(4)	-	-	-
Subtotal	567	(185)	382	(162)	544	-	-
Curtailments/ Settlements	(12)	-	(12)	-	-	(12)	-
Healthcare plan amendment	-	258	258	-	-	-	258
Net benefit credit - 2007	555	73	628	(162)	544	(12)	258
- Q1 08	98	(42)	56	(37)	104	(11)	



IASB Projects/ Deliberations

- Post -employment benefit project added to agenda in July 2006
- Fundamental review of all accounting aspects
- First phase to be resolved within 4 years
 - Presentation/ Disclosures
 - Definitions:
 - Defined benefit plans
 - Defined contribution plans
 - Cash balance plans
 - Smoothing and deferred mechanisms
 - Settlements/ Curtailments

Current standards under review

March 2008 Discussion Paper

- Immediate recognition
 - All gains/ losses
 - Actual return on assets
 - Unvested past service costs
- Proposed presentation approaches
 - Service cost in P&L
 - Service cost, interest cost & interest income in P&L
 - All changes in P&L
 - Other items in other comprehensive income

Significant changes may occur in the future

Q&A

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Review of Gross Balance Sheet Positions

Mark Gibbens

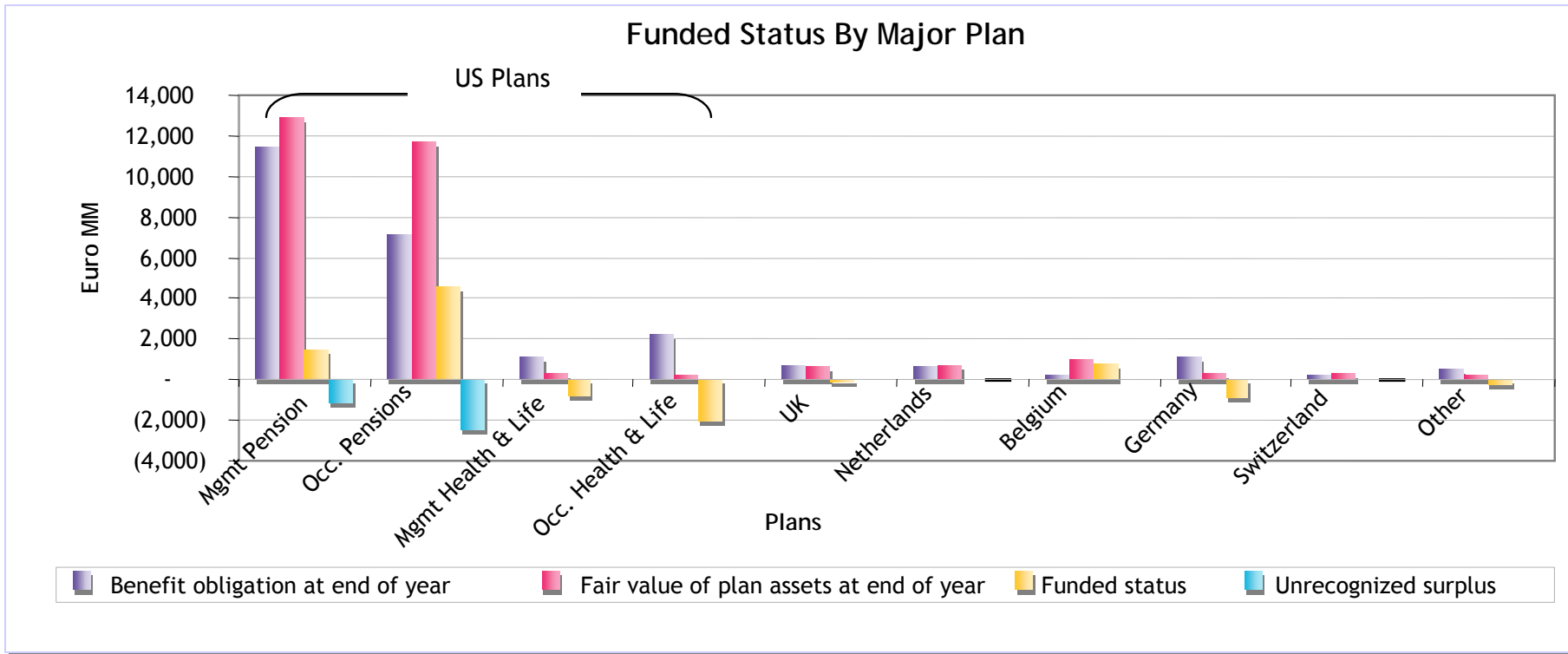
Corporate Finance and Chief Investment Officer

Funded Status of Alcatel-Lucent Pensions & OPEB (IFRS)

<u>In Euro Million</u>	Mar 31st, '08		Dec 31st, '07		Dec 31st, '06	
	Pensions	OPEB	Pensions	OPEB	Pensions	OPEB
Fair value of plan assets <i>(In USD Million)</i>	25,511 <i>40,338</i>	450 <i>712</i>	27,720 <i>40,807</i>	511 <i>752</i>	29,332 <i>38,630</i>	866 <i>1,140</i>
Benefit obligations <i>(In USD Million)</i>	(20,283) <i>(32,071)</i>	(3,068) <i>(4,851)</i>	(22,029) <i>(32,425)</i>	(3,396) <i>(4,999)</i>	(25,848) <i>(34,041)</i>	(4,383) <i>(5,772)</i>
	5,228	(2,618)	5,691	(2,885)	3,484	(3,517)
Funded Status <i>(In USD Million)</i>	2,609 <i>4,126</i>		2,806 <i>4,131</i>		(33) <i>(43)</i>	
Asset ceiling	(3,483)	-	(3,736)	-	(1,899)	-
Net balance sheet	(873)		(930)		(1,932)	

YE '07 overall pension plan asset portfolio more weighted to fixed income securities

Global Position as of 31/12/07



US plans represent bulk of liabilities and are overfunded



Status of US Defined Benefit Plans

Key Plan Statistics - Management Plan (30/6/2007)

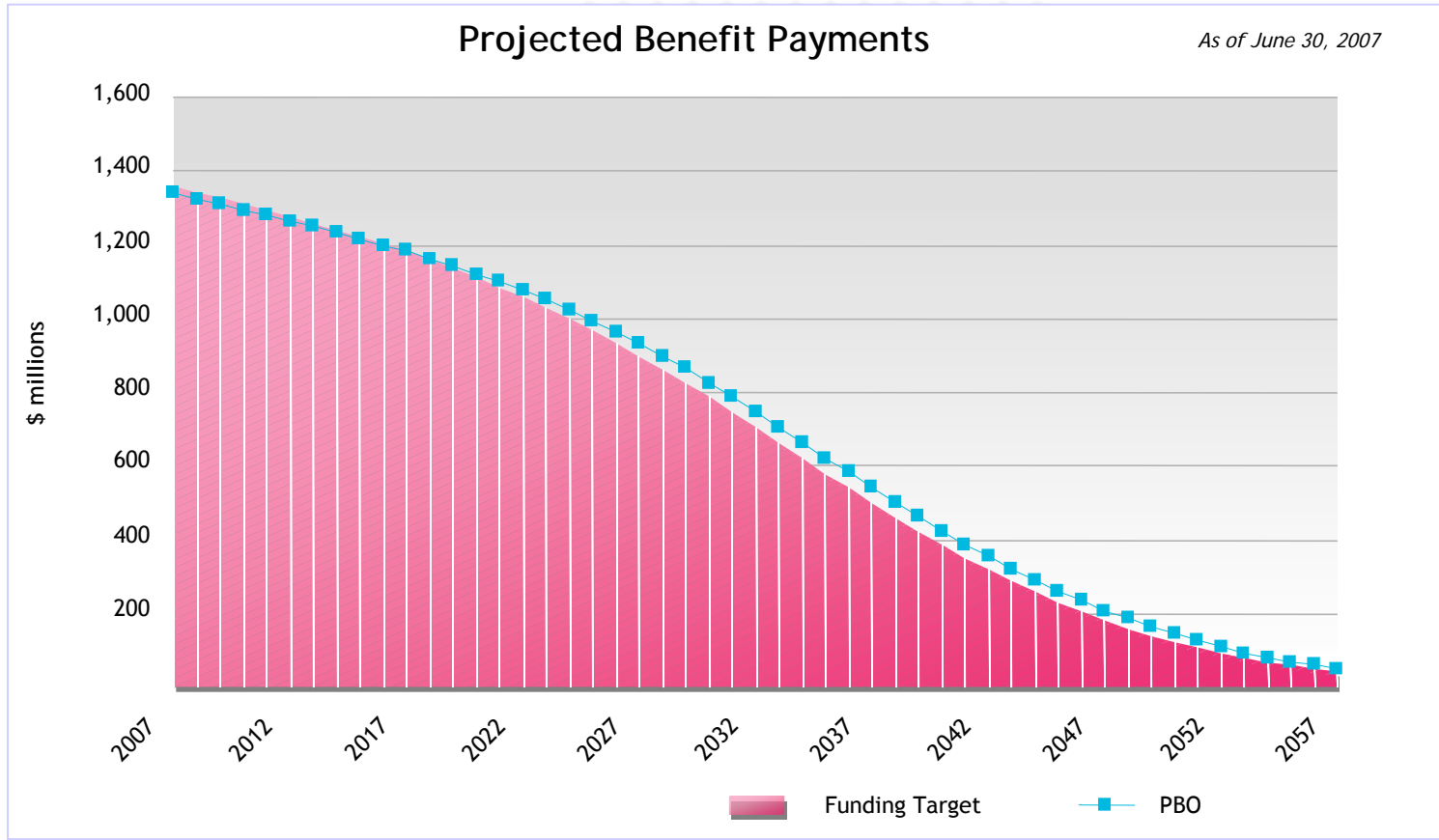
Management Plan	# of Participants	% of Liability
Total Participants	92,973	100%
Active	14,377	11.7%
Inactive	78,596	88.3%

- Duration of Plan Liabilities is 10.65 years.
- Total Liability Rate of Return: $6.1\% + 70 \text{ bps} = 6.80\%$
(Liability Rate of Return equals Discount Rate + Service Accrual)



Status of US Defined Benefit Plans

Key Plan Statistics - Management Plan (30/6/2007)



Limited growth in future liability – well known obligation

Status of US Defined Benefit Plans

Key Plan Statistics - Occupational Inactive Plan (30/6/2007)

Occupational Inactive Plan	# of Participants	% of Liability
Inactive	125,150	100%

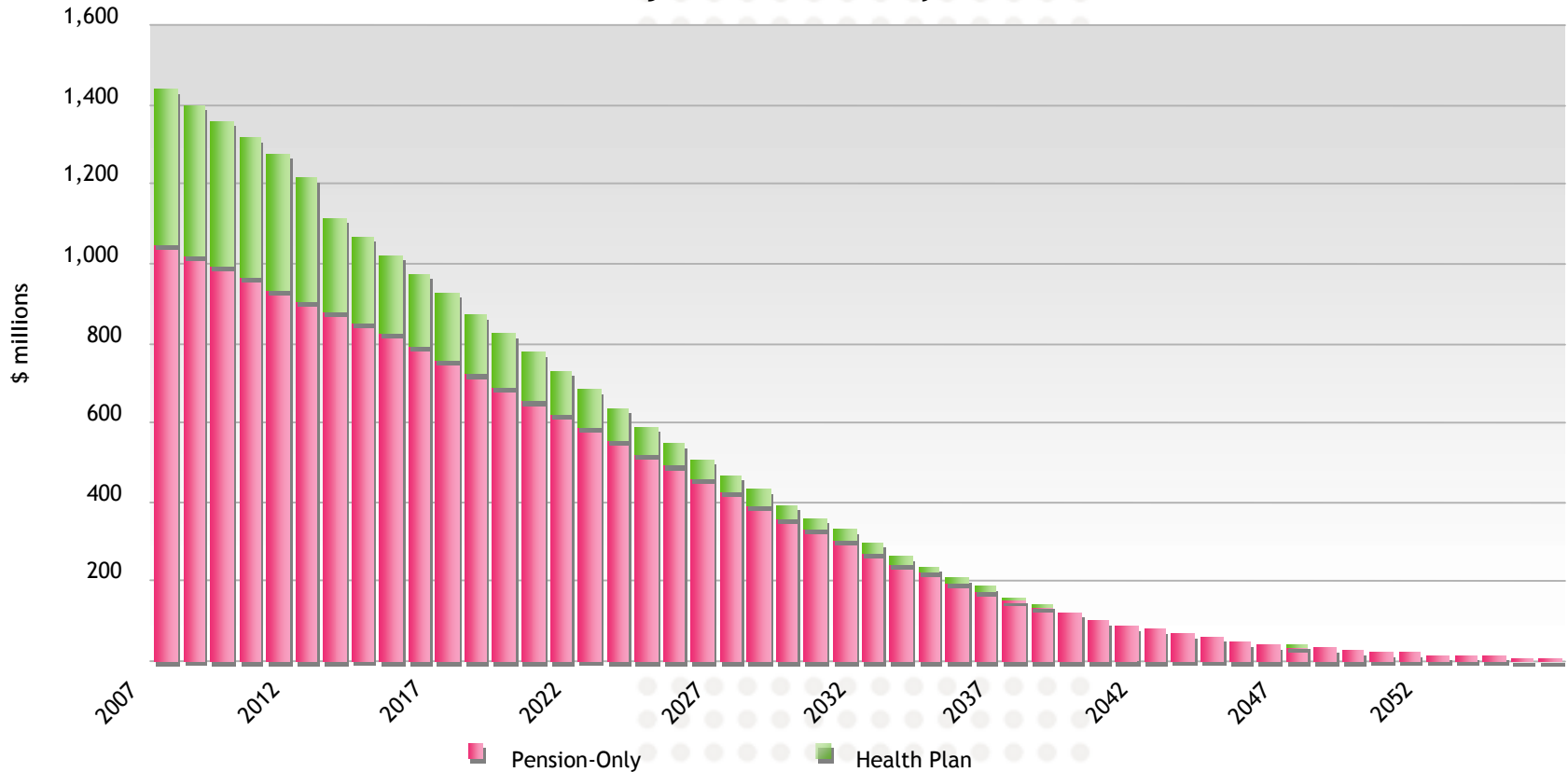
- 1/1/06 Occupational Plan was split into inactive and active plans
- Plan is not expected to be revised to provide for additional benefits except in context of labor negotiations which occur next in 2012.
- Excess assets, as defined by ERISA (assets in excess of 125% of liabilities), will continue to be used to pay for unfunded health liabilities each year. (IRC Section 420 provision as amended)
- Duration of Plan Liabilities is 8.60 years.
- Total Liability Rate of Return: $6.1\% + 61 \text{ bps} = 6.71\%$
(Liability Rate of Return equals Discount Rate + Service Accrual)



Status of US Defined Benefit Plans

Key Plan Statistics - Occupational Inactive Plan (30/6/2007)

Occupational Inactive Plan & Post Retiree Healthcare Projected Benefit Payments



No growth in future liability – fixed obligation

Status of US Pension and Post-Retirement Benefit Plans

31/12/07 - Accounting Basis

Name Plan	LRIP	LTPP	LTRP	Supp.	Total Pensions	Mgmt Health	Occ Health	Mgmt Life	Occ Life	Total Post-Retirement Benefits
Benefit obligation at end of year	(11 148)	(6 864)	(267)	(263)	(18 542)	(569)	(1 848)	(552)	(405)	(3 374)
Fair value of plan assets at end of year	12 893	11 320	409	-	24 622	-	73	286	152	511
Funded status	1 745	4 456	142	(263)	6 080	(569)	(1 775)	(266)	(253)	(2 863)
Unrecognized prior service cost	-	-	-	-	-	-	-	-	-	-
Unrecognized surplus	(1 162)	(2 421)	(42)	-	(3 626)	-	-	-	-	-
Reserve under IAS/IFRS Std	583	2 035	100	(263)	2 455	(569)	(1 775)	(266)	(253)	(2 863)
Funded Status (%)	116%	165%	153%	0%	133%	0%	4%	52%	38%	15%

Funded Status has dramatically improved and now stabilized due to asset allocation changes

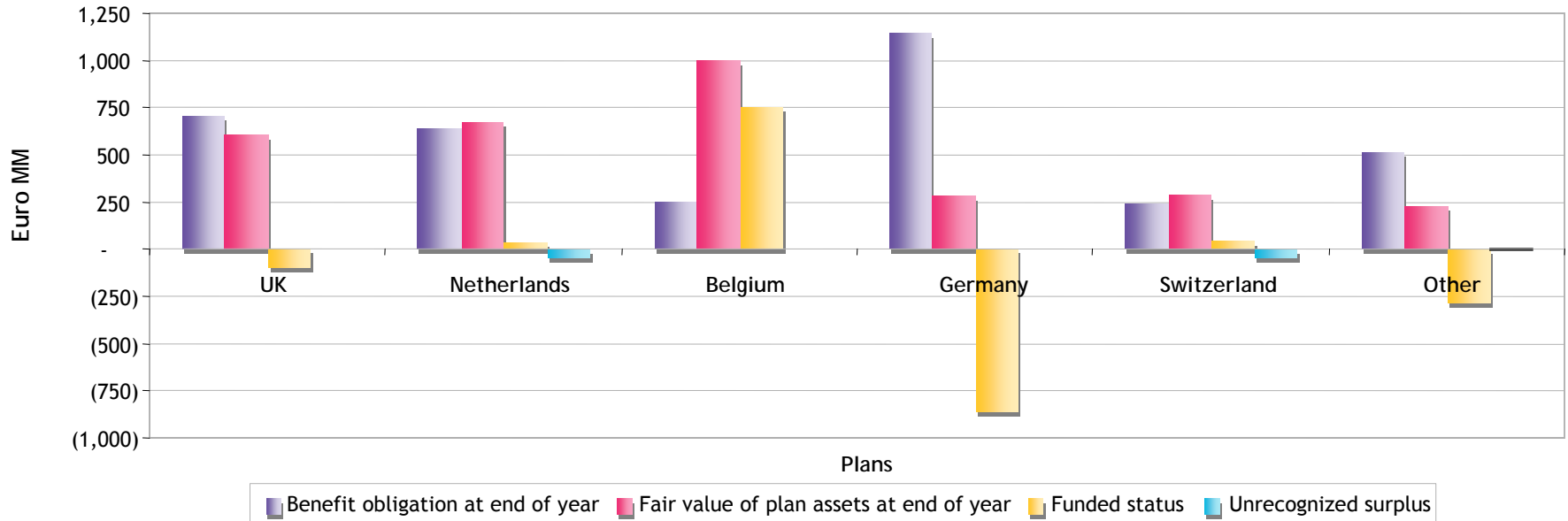
Status of US Pension and Post-Retirement Benefit Plans

- US plans make up 86% of ALU benefit obligation and 89% of assets
- Funded Status has improved dramatically over the past few years in US Pension Plans
 - In 2002 - Management Plan (LRIP) was 83%; is now 116%
 - In 2002 - Occupational Plans (LTPP and LTRP) were 113%; are now 165% and 153% respectively

Funded Status has dramatically improved and now stabilized due to asset allocation changes

Status of Non-US Plans

Key Non-US Plans Funded Status



Expect 2008 funding requirement to non-US Plans of €62 mm (down from €78 mm in 2007)

Summary

- Total Assets for Plans of €28.2 billion
 - Net Overfunded of €2.8 billion
 - Due to Asset Ceiling - showed net liability of €930 million
- For most underfunded plan (US Represented Retiree Healthcare), entire obligation is covered by excess assets of Occupational Pension Plans
- US Obligations are 86% of liability and 89% of assets
- Future service growth in pension liability is nominal
- US retiree healthcare costs continue to decline due to aging and caps on costs per capita



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Asset Allocations for Pension Plans

Mark Gibbens

Corporate Finance and Chief Investment Officer

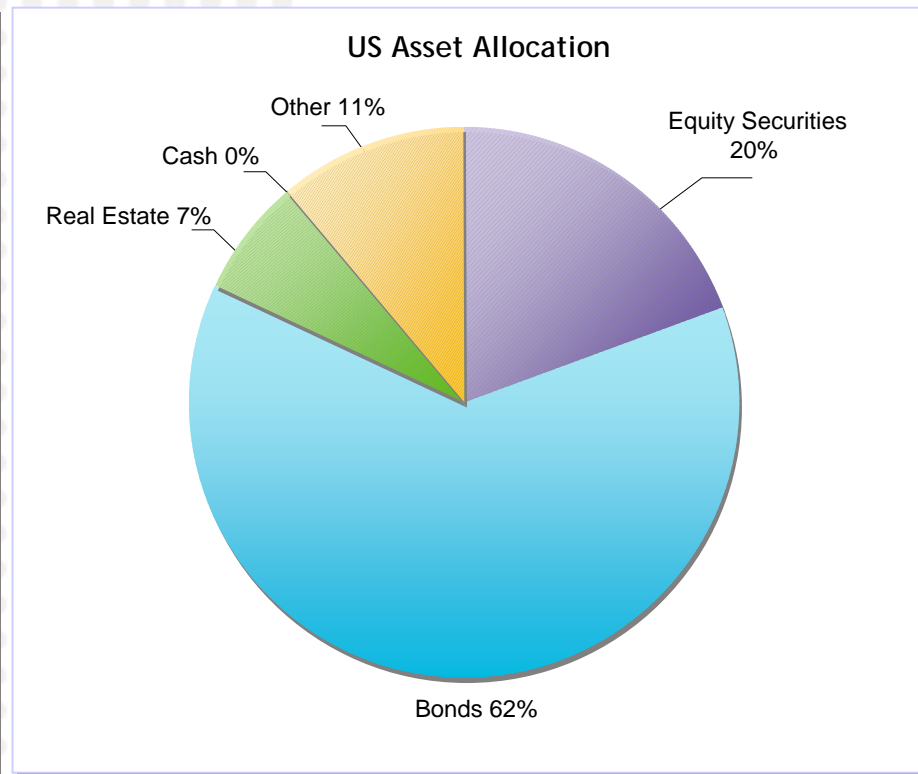
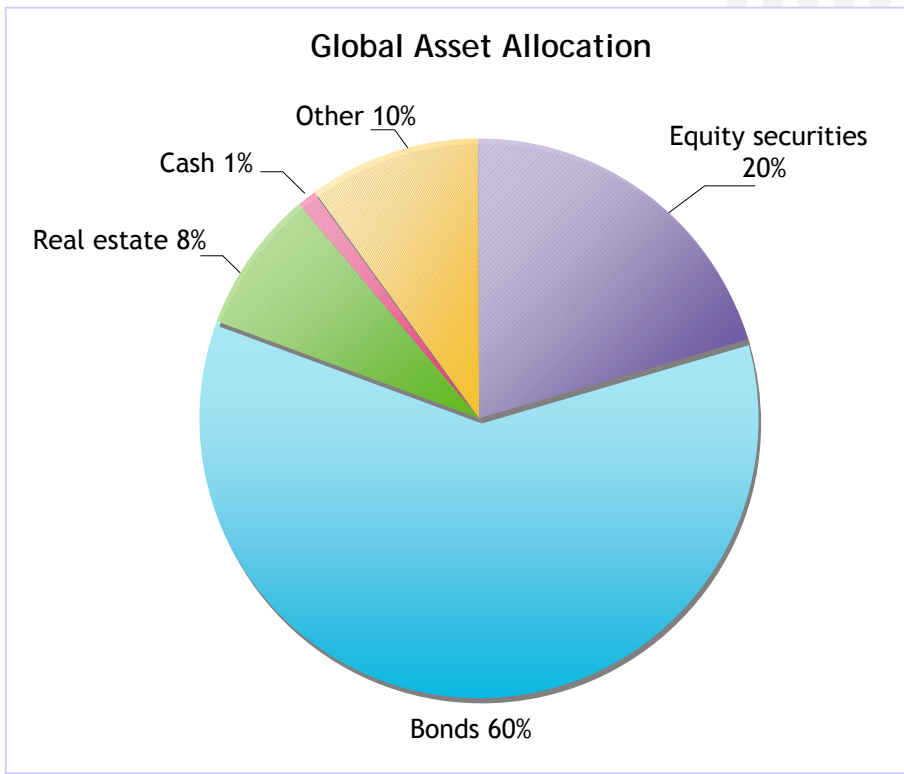
Asset Allocation Framework

Surplus Risk Management

- Alcatel-Lucent for the US plans uses a variant of Liability Driven Investing (LDI)
- LDI is applied as a form of surplus risk management which can be achieved by investing in assets with characteristics similar to the liabilities.
- Surplus risk management can be accomplished by managing asset class (principally equity risk) exposure and/or interest rate exposure to the liabilities.
- Managing equity risk exposure can be accomplished by:
 - ✓ Shifting the allocation away from equities and into bonds.
 - ✓ Diversifying into alternative asset classes with low correlations to equities.
- Managing interest rate exposure can be accomplished by:
 - ✓ Increasing the allocation to bonds (i.e., increase the amount of assets with duration that more closely matches the duration of the liabilities).
 - ✓ Extending the duration of the bond portfolio to more closely match the liabilities.
 - ✗ Hedging liability interest rate risk through derivatives (e.g. swaps, futures).

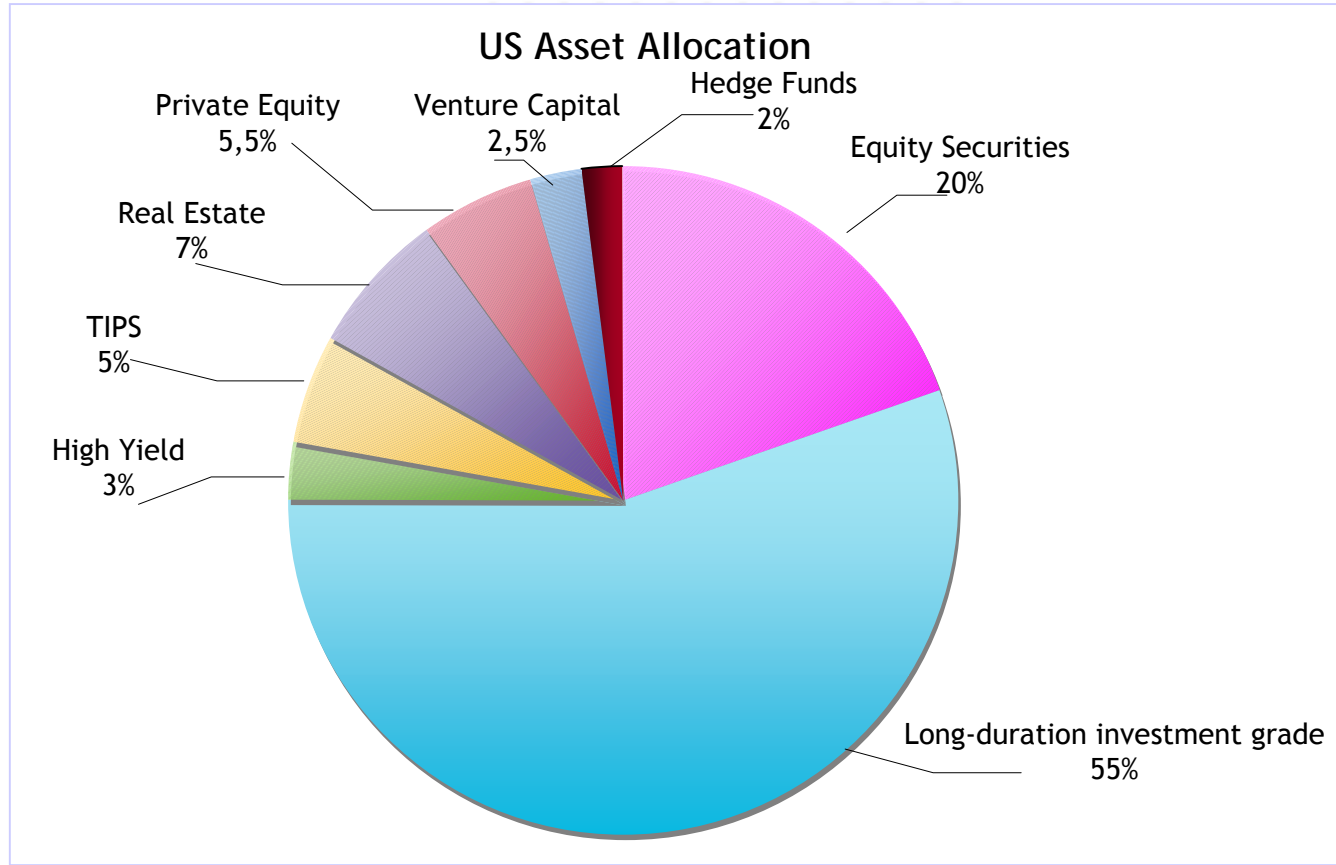


Global Pension Asset Allocation



ALU plans in US are amongst the most conservative/liability-matched plans

Detailed US Pension Allocation



Well diversified portfolio with long-standing relationships with top managers



Fund Management

US funds are managed by an In-House Asset Manager (INHAM) which is an SEC registered investment manager called Alcatel-Lucent Investment Management Corporation (ALIMCO)

- ALIMCO serves as a fiduciary and is responsible for managing the US pension and benefit assets
- ALIMCO oversees a slate of public market, real estate, private equity and hedge fund investment managers
- Securities and investments are not traded by members of ALIMCO
- ALIMCO also oversees the Plans' Trustee bank, which provides custody and accounting for all US pension and post-retirement assets

In-House Management is seasoned and provides strong market knowledge. Approach is strategic, not tactical.

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Historical Perspective on Returns

Mark Gibbens

Corporate Finance and Chief Investment Officer

Historical Perspective on Returns

The following table provides annualized rates of return (for periods over one year) for weighted average ALU US pension plans over a variety of periods and provides percentile ranking against Wilshire TUCS universe of over 1,000 pension plans, endowments and foundations in the US

- Asset allocation changed dramatically from heavy equity weighting to more fixed income weighting in two asset moves over past two years
 - \$8.1 bn sold from equity to long-duration fixed income in June 2006
 - \$4.7 bn sold from equity to long-duration fixed income in November 2007

Period is as of 31/3/2008 which is latest available period. Note as of 31/12/07, percentiles were in best 10 percentile in all periods except for 7 years at 32nd percentile

As of 31/3/2008	1 quarter	2 quarters	1 year	3 years	5 years	7 years	10 years
Annualized Return (%)	-0.06	2.49	9.19	11.70	14.95	8.30	8.43
Percentile* (%)	5	3	1	2	4	10	3

* Lower is better with 1 being in the best percentile and 100 the worst percentile in the universe of funds



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Contribution Risk Analysis

Mark Gibbens

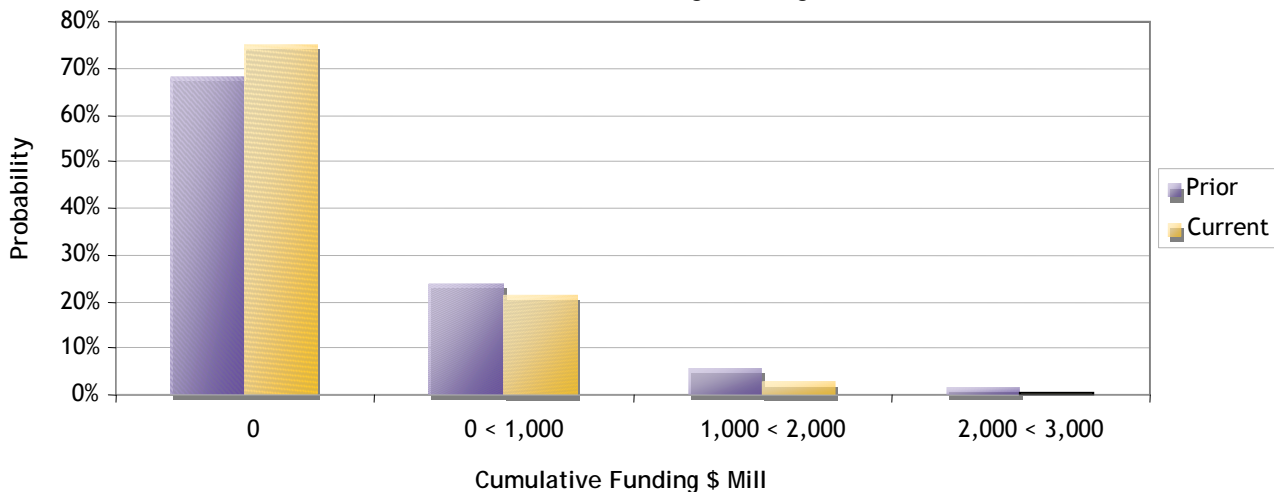
Corporate Finance and Chief Investment Officer

Contribution Risk Assessment

US Management Plan (LRIP)

- Here is an evaluation of the probability of contributions into the US Management Pension Plan under prior allocation versus current allocation for next five years (conducted last year)
- “Prior” scenario was where ALU’s Management Pension Plan was allocated before \$4.7 bn shift out of equities in November 2007
 - High probability in both scenarios that no funding is required
 - Through 2012 > 70%
 - Through 2017 > 60%
- Current policy reduces the potential for significant funding over \$1 billion cumulatively to less than 4% through 2012

Management Stochastic Contribution Forecast
Cumulative Funding Through 2012



Potential for future contributions limited in next several years and further

7 Summary

Mark Gibbens

Corporate Finance and Chief Investment Officer

Summary

- ALU pension and retiree healthcare obligations are well understood and managed by the company
- Based on current assumptions and asset allocations, do not expect a material risk of significant contributions to major pension plans
- Continue to expect to contribute (as outlined in 20F and Document de Reference) to Non-US pension plans and to US management retiree healthcare
 - Amounts of healthcare contributions have been significantly diminishing over time
- From an accounting perspective, believe assumptions relative to asset returns, discount rates and other actuarial assumptions are appropriate and well described in financial reports

Alcatel-Lucent will not plan to increase disclosures (other than that required by appropriate regulators) nor include these supplemental materials on a regular basis in regulatory filings

Key Takeaways

Financial Statement Impacts

(€ millions)	2007	Q1 2008
Operational	(162)	(37)
Financial	544	104
Net Liability	(930)	(873)
Cash Flow	(297)	(118)

Net liability not expected to change significantly due to asset ceiling limitation

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Glossary

Glossary

<u>ALIMCO</u>	Alcatel-Lucent Investment Management Corporation - SEC registered In-House Asset Manager responsible for overseeing the investment of assets in the various pension and benefit plans.
<u>Alternatives</u>	Absolute Return (Hedge Funds), Private Equity and Real Estate asset classes
<u>Duration</u>	Measure of interest rate sensitivity - used interchangeably between years and percent sensitivity for a 100 basis point change in interest rates
<u>LRIP</u>	US Management Pension Plan
<u>LTPP / LTRP</u>	US Inactive and Active Occupational Pension Plans
<u>MPT - Master Pension Trust</u>	trust account where investments are held and apportioned to each participating plan
<u>Overlay</u>	Strategy that typically uses derivative financial instruments to change profile of asset returns and risks not embedded within individual asset classes.
<u>PBO</u>	Present Value of Benefit Obligations - financial accounting method for valuing pension liabilities
<u>PPA</u>	Pension Protection Act of 2006 - among other things- provides for a methodology to value pension obligations against which funding is determined.
<u>Sigma</u>	statistical measurement for one standard deviation movement. Roughly defines a normal distribution outcome at 33% and 67% probability.
<u>2 Sigma or 2 standard deviations</u>	used as a “worst-case” probability and reflects the 2.5% and 97.5% outcomes for a normal distribution probability
<u>Surplus - Assets</u>	minus liabilities
<u>Surplus Return</u>	expected asset rate of return minus the liability rate of return (discount rate only)
<u>Surplus Risk</u>	one standard deviation of returns around expected surplus return
<u>Total Liability Rate of Return</u>	the duration-adjusted discount rate for the liabilities plus service accrual rate

Q&A