

DOE Oak Ridge Facility Retirees Pension Program

Prepared by

**the
Coalition of Oak Ridge Retired Employees
(CORRE)**

**Website: <http://www.corre.info/>
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CORRE Requests Adjustments in 2005 to Maintain Pension Value and Reduce Spousal Penalty

- Pensions of Oak Ridge contractor retirees have not kept pace with cost of living; company adjustments having recovered <50% of loss in value due to inflation.
- Pension program enhancements provided to active employees have not been provided to retirees. Most recent was spousal option penalty reduction to 2 percent.
- CORRE requests adjustments be made effective in 2005.
 - Sufficient surplus in Pension Fund to provide adjustment and retain a surplus of \$353 million over actuarial requirements.
 - DOE Contractors should annually review and biennially adjust retiree pensions, with appropriate adjustments to restore at least 75% of the loss in value of pensions due to inflation.
 - Pensions must not be devalued by shifting the proportional cost to retirees for medical and drug benefits (i.e., keep the 50-50 split for retirees 65 and over).

CORRE Background Information

- Pensions are an earned benefit of retirees and are not an entitlement program
 - The pension is funded by the U.S. Government and is administered by the DOE Contractor.
 - It is a part of the employee compensation package set aside for retirement.
 - It is funded as an element of the Contractor's benefit program for employees.
 - The Fund continues to grow through return on investment.
 - More than sufficient funds are available now in the Pension Fund to make requested adjustments.

CORRE Background Information (continued)

- Pension Fund covers ~12,000 retired employees and/or surviving spouses
 - Oak Ridge National Laboratory,
 - K-25 Gaseous Diffusion Plant
 - Y-12 Plant, and
 - Some Wackenhut, Bechtel-Jacobs, and Bechtel-Jacobs subcontractor employees covered under the same plan

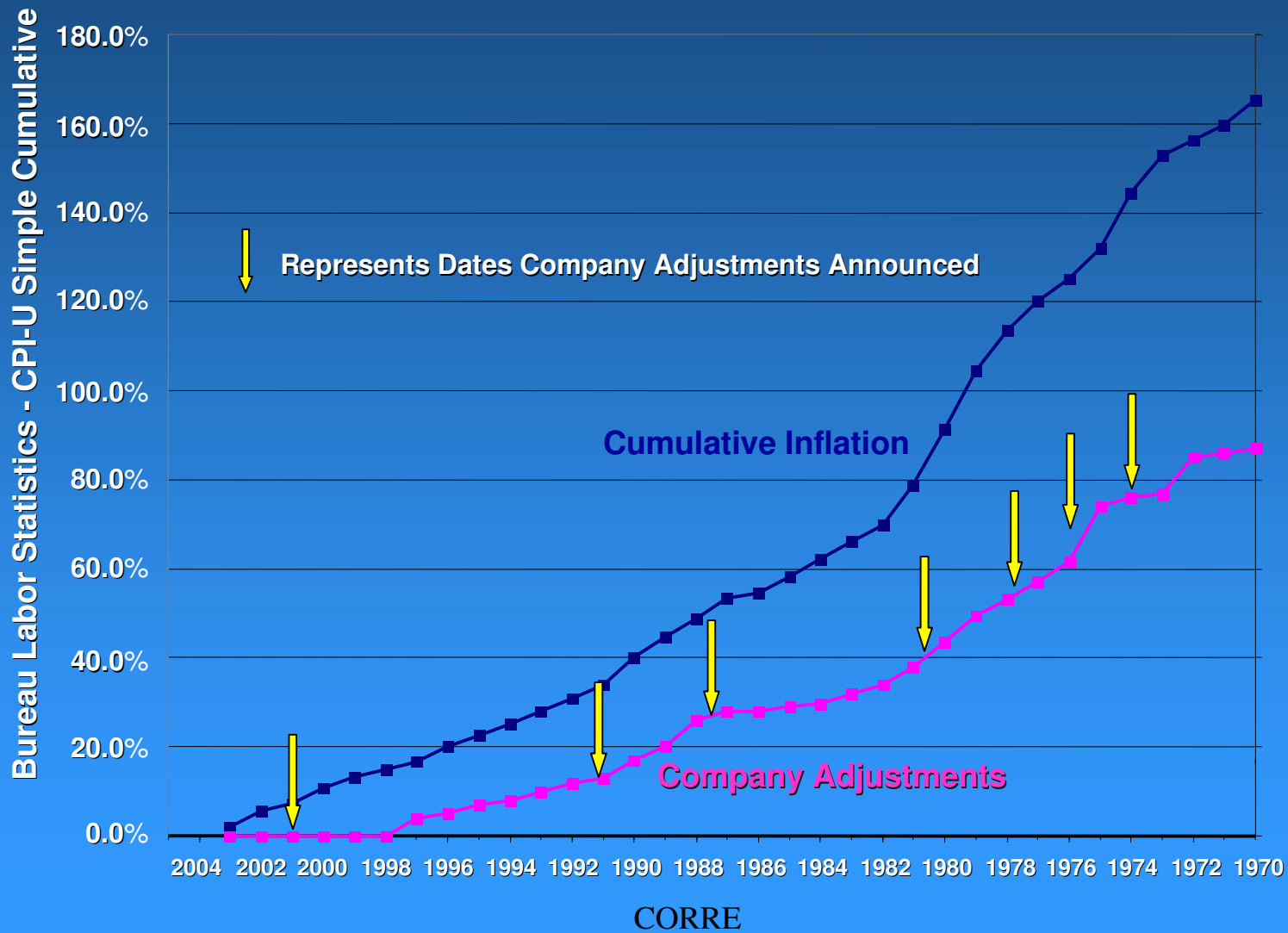
CORRE Background Information (continued)

- In the last 35 years, there have been infrequent and inadequate adjustments to the pensions.
 - Oak Ridge Retirees have had only 3 partial adjustments for inflation since 1980.
 - Each time, adjustments were not made to pensions of retirees who had retired 2-5 years preceding the adjustment year.
 - Percentage increases in medical insurance premiums have exceeded the percentage of pension adjustments.
 - Minimum adjustments were made for lowest paid retirees in 2004- affected about 10 percent of retirees and spouses.
- The value of the Oak Ridge pensions has continued to deteriorate.
 - Average value of Oak Ridge retiree pensions has decreased to <50% of original value.
 - Pensions of older retirees have retained less value than those of more recent retirees.

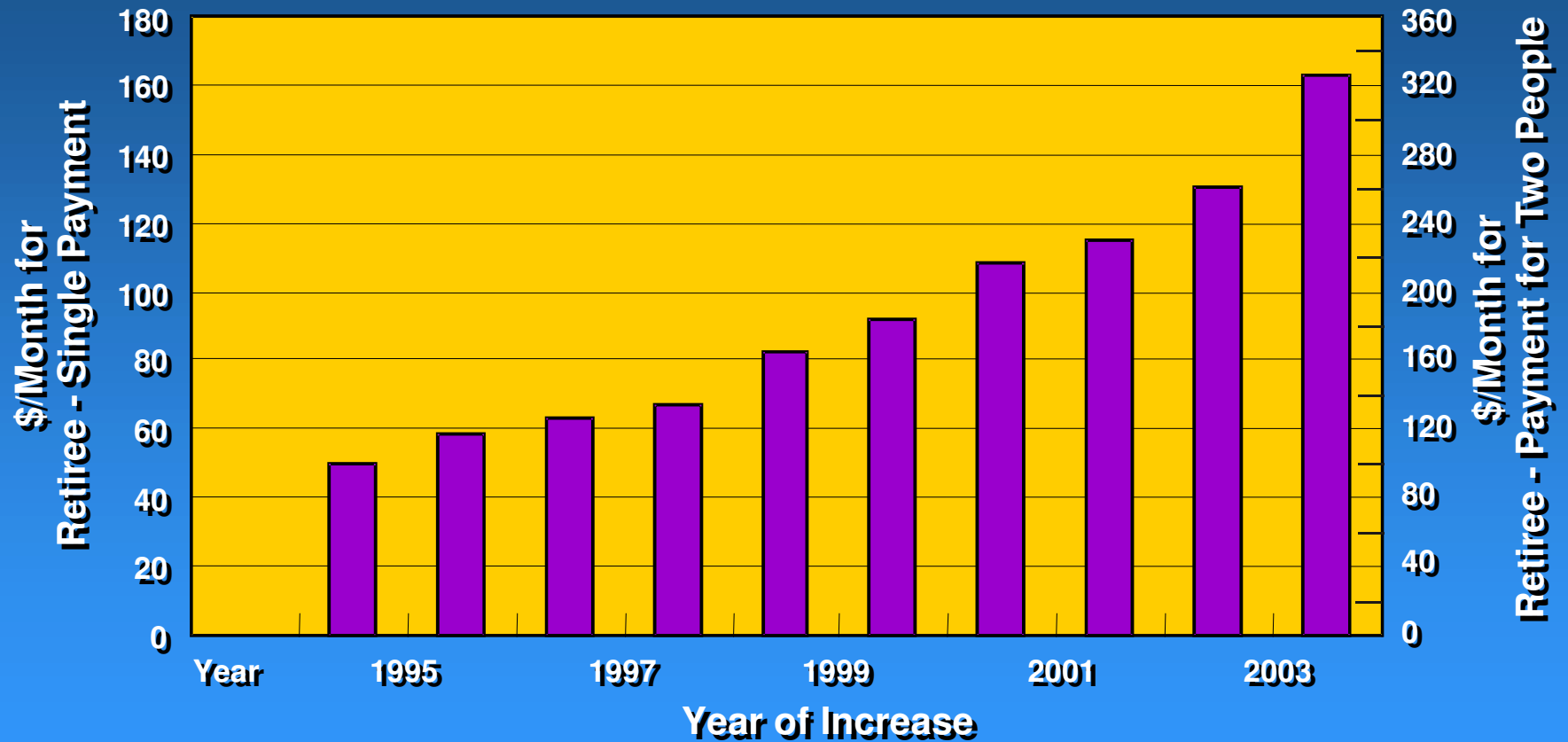
CORRE Background Information (continued)

- DOE Contractors have not contributed to the Pension Fund for either employees or retirees since 1984.
- DOE Contractors have provided significant enhancements to active employees without extending those enhancements to retirees. Since the same fund provides pensions for both actives and retirees, this practice is not equitable to retirees
- LLC Contractors have had no history of managing pension plans; DOE must provide consistency.
- The last adjustment (in 2004) affected only 10% of retirees/surviving spouses.

RETIREES FALL FARTHER AND FARTHER BEHIND



Increases in Medical Insurance Premium and Prescription Cost for Retirees



In addition to premium increases, retirees now pay higher proportion of each prescription.

CORRE has two goals for adjustments in 2005

- A graduated increase sufficient to restore the pensions to at least 75 % of value lost in pension benefits for all retirees. This will
 - Partially restore retiree pensions for the loss in value of retiree pensions, (Average adjustment would be 1.2 % per year since retirement.)
 - Allocate some of the pension benefits accrued but not dispensed to retirees over the last 20 years.
- A flat-rate reduction factor of 2 percent for retirees who have chosen the surviving spouse option
 - Same benefit that was extended to active employees in July 2004.
- This leaves a \$353 million surplus remaining in the pension fund.

DOE Fund for Retirees of Oak Ridge Contractors⁽¹⁾

Analysis of Funds

Estimated by CORRE - April 2005⁽²⁾

Item	Subtotal (\$Millions)	Total (\$Millions)
Fund Assets		2,787
Liabilities		2,167
Retirees	1,223	
Active Employees	944	
Surplus - Before adjustment		620
Proposal Adjustment		267
Compensate for inflation	208	
2 Percent Spousal Reduction	59	
Fund Surplus (After proposed adjustment)		353
Liabilities after adjustment		2,434

(1) Covering approximately 12,000 retirees from ORNL, Y-12, and past K-25 and covering current employees of ORNL, Y-12, some Wackenhut, Bechtel-Jacobs and Bechtel-Jacobs subcontractor companies.

(2) These estimates of CORRE are based on the best available data from pension fund reports.

CORRE Goals for Future Action

- Seek a formal policy for annual review of inflation on pensions, with adjustments as appropriate, but at least biennially.
- Obtain CORRE representation on the Pension Advisory Board of BWXT-Y-12. (ORNL has established a benefits committee including a CORRE representative.)
- Oppose any attempt to use the Pension Trust Fund for IRS 420 transfers to offset contractor share of medical insurance costs of retirees.

CORRE Goals for Future Action (continued)

- Oppose reductions in other retiree benefits, including
 - Dental and vision insurance for retirees under age 65
 - Drug supplement changes.
- Provide a group plan option for dental and vision insurance for retirees over 65.
- Support contractor contributions to Pension Fund to cover growing requirements from higher salaries (future benefits) of current employees resulting from
 - Raises and promotion increases
 - Incentive compensation counted toward pension earnings.
- If necessary, seek Congressional legislation requiring Pension Plan review by DOE at least every 2 years, with objective of restoring value lost due to inflation.

SUMMARY

CORRE is Seeking Equitable Administration of the Pension Fund

- Maintain the value of pensions of Oak Ridge Contractor retirees with timely and sufficient adjustments. (Pensions now average <50% of original value due to inflation.)
- Provide adjustments effective in 2005 to restore at least 75% of the value lost due to inflation.
- Provide reduction in 2005 of the spousal option penalty to 2% as was done for active employees.
- The Pension Fund can support these adjustments and still have a surplus of \$353 million over actuarial liabilities.)
- Develop a consistent DOE Contractor policy to maintain at least 75% of the loss in value of pensions due to inflation.
- Avoid devaluing pensions by shifting the proportion of costs to retirees for medical and drug benefits (i.e., keep 50-50 split).

Information on Local Economic Impact and DOE Pension Plans

Annual Impact of a Pension Increase on the Economy of the Counties and Cities in East Tennessee

County	Number of Recipients*	Current Pension*	Proposed Increase	Economic Impact**
Anderson	3,630	\$57,028,000	\$ 12,432,104	\$28,096,555
Knox	3,204	44,232,000	9,642,576	21,792,222
Roane	1,575	19,425,000	4,234,650	9,570,309
Loudon	692	8,733,000	1,903,794	4,302,574
Blount	234	2,977,000	648,986	1,466,708
Morgan	127	1,536,000	334,848	756,756
Others in TN	1,154	12,379,000	2,698,622	6,098,886
Totals***	10,616	\$146,310,000	\$31,895,580	\$72,084,011

*Source: **BWXT Retiree News**, June 2004

Source: **"The Economic Benefits of the U.S. Department of Energy for the State of Tennessee." Prepared by the the Center for Business and Economic Research, University of Tennessee, for the USDOE, Oak Ridge Operations, May 2004.

***Note: Totals reflect only retirees living in Tennessee.

Comparison of DOE Contractor Pension Programs is Incomplete Because of Lack of Data

- DOE should have information to compare pension benefits of Contractor retirees
- CORRE has been unable to obtain sufficient information from the Contractor pension administrators to statistically compare programs across the DOE laboratories and NNSA facilities.

Although There are at Least 16 Components of the Contractor Pension Programs that Should be Evaluated, 5 are Deemed Critical to Comparative Analysis

1. Type of plan
 - Defined benefit (employer expense - employee may not contribute)
 - Defined contribution (contribution by employer and/or employee)
2. Present worth of pensions relative to original value
3. History of adjustments to retiree pensions over the last 25 years
 - Dates
 - Amounts- compare with Bureau of Labor statistics on inflation.

Although There are at Least 16 Components of the Contractor Pension Programs that Should be Evaluated, 5 are Deemed Critical to Comparative Analysis (continued)

4. History of payments (by DOE or Contractor) into Pension Fund over the last 25 year
 - Dates
 - Amounts
5. Cost-of-Living (COLA) provisions for inflationary deterioration in value
 - Is it automatic for inflation?
 - Is there annual or periodic review of the Pension Fund value relative to its original value?

Comparison of Department of Energy Pension Programs June 2004

SITE	Contractor	Multiplier	Type Pension Plan	Scheduled Adjustments	Fund Status	Contributions Being Made to Fund	Comments
Oak Ridge Site	BWXT, UT-Battelle	1.2 for most, now 1.4	Defined Benefit	NO-(Ad Hoc Adjustments)	~120%	NO	None since 1984
Brookhaven National Laboratory	SUNY-Battelle	NA	Defined Contribution (401-A)	NA	NA	YES	Contractor Contribution is 10% of Employee's salary/yr
LBNL	University of California	2.0 historical, now 2.5	Defined Benefit	YES		NO	
LLNL	University of California	2.0 historical, now 2.5	Defined Benefit	YES		NO	
LANL	University of California	2.0 historical, now 2.5	Defined Benefit	YES		NO	
Savannah River Site	Westinghouse		Defined Benefit	NO-(Ad Hoc Adjustments)		YES	
Sandia National Laboratory	Lockheed Martin	1.5 historical, now 2.0	Defined Benefit	NO-(Ad Hoc Adjustments)		Not since 1986	
Idaho National Engineering Laboratory	Bechtel BWXT-Idaho, LLC		Defined Benefit			Unknown to CORRE	Some employee funding if over Soc. Security Base
Pacific Northwest National Laboratory	Battelle Pacific Northwest Division	Now 1.6	Defined Benefit	NO-(Ad Hoc Adjustments)		Unknown to CORRE	
Argonne National Laboratory	University of Chicago	NA	Defined Contribution	NA	NA	YES	Contractor contribution is 9% of salary/yr-Employee-4%

CORRE Requests the Assistance of Our Congressional Representatives

- In contacting DOE administrators to support our request
- In Submitting appropriate legislation, if DOE continues to be unresponsive-
 - Require DOE to undertake biennial review with maintenance of value of pensions at a level that restores at least 75% of lost value of pensions.
 - Require DOE operating contractors that participate in, or administer, a government funded pension to have a Pension Fund advisory board that includes in its membership at least one retiree of the contractor or its predecessor.
- In arranging any other briefings that might be helpful to advance the welfare of Oak Ridge retirees.