

DEPARTMENT OF ENERGY
CONTRACTOR EMPLOYEE
PENSION AND MEDICAL BENEFITS

March 2007

BACKGROUND

- DOE Notice 351.1, *Contractor Employee and Medical Benefits Policy*, issued on April 27, 2006.
- Major provisions included:
 - Continuing to reimburse contractors for costs for current and retired employee pension and medical plans under existing contract requirements
 - Requiring market-based defined contribution pension plans for new employees
 - Requiring market-based medical plans for new employees
 - Providing direction on the treatment of contractor post-retirement benefits at closure sites
- On June 19, 2006, the Secretary of Energy suspended the Notice for one year.
- Directed consultation with stakeholders, including Members of Congress.

EXISTING CONTRACTOR PENSION AND MEDICAL BENEFIT PLANS

- DOE reimburses the allowable costs of contractor pension programs and other post-retirement benefits, including medical benefits, through 46 M&O and other site operating contracts.
- Most Contractor employee pension plans are defined benefit plans, which provide employees with a guaranteed benefit upon retirement based on a pre-determined formula. Most are supplemented by a defined contribution plan.
- About 200,000 individuals are covered by these plans.
- On average, the retirement benefits received by DOE contractor employees are higher than the benefits earned by Federal employees.
- On average, DOE contractor employees contribute less for their medical benefit costs than Federal employees or private sector workers.

FINANCIAL IMPACT OF CONTRACTOR DEFINED BENEFIT PENSION AND PRB PLANS

- DOE reimbursement of contributions to Contractor defined benefit and medical plans:
 - FY 2006 -- \$858M
 - Increase since FY 2000 – 226 percent
- DOE reimbursement of contributions to Contractor defined contribution plans:
 - FY 2006 -- \$219M
- Total FY 2006 contributions are just over \$1 Billion
- Accrued Unfunded Liability (represents current financial exposure as indicated on DOE's financial statement)
 - FY 2006 -- \$11.9B
 - Increase since FY 2000 – 68 percent

DOE CONTRIBUTIONS AND LIABILITIES ASSOCIATED WITH CONTRACTOR DEFINED BENEFIT PENSION AND MEDICAL PLANS

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
PENSION							
DOE Contribution	58M	43M	75M	165M	279M	271M	530M
Financial Statement Liability (accrued unfunded)	(.4B)	(.5B)	(1.4B)	(1.8B)	(1.9B)	(2.6B)	(2.2B)
Unfunded Benefit Obligation (Net Actuarial)	10.2B	5.1B	(1.0B)	(3.6B)	(4.1B)	(5.7B)	(4.5B)
PRB							
DOE Contribution	205M	226M	243M	264M	342M	306M	328M
Financial Statement Liability (accrued unfunded)	(6.7B)	(7.0B)	(7.4B)	(8.0B)	(8.5B)	(9.0B)	(9.7B)
Unfunded Benefit Obligation (Net Actuarial)	(5.4B)	(6.8B)	(8.3B)	(9.7B)	(9.9B)	(11.4B)	(11.3B)

TOTALS FOR FY 2006

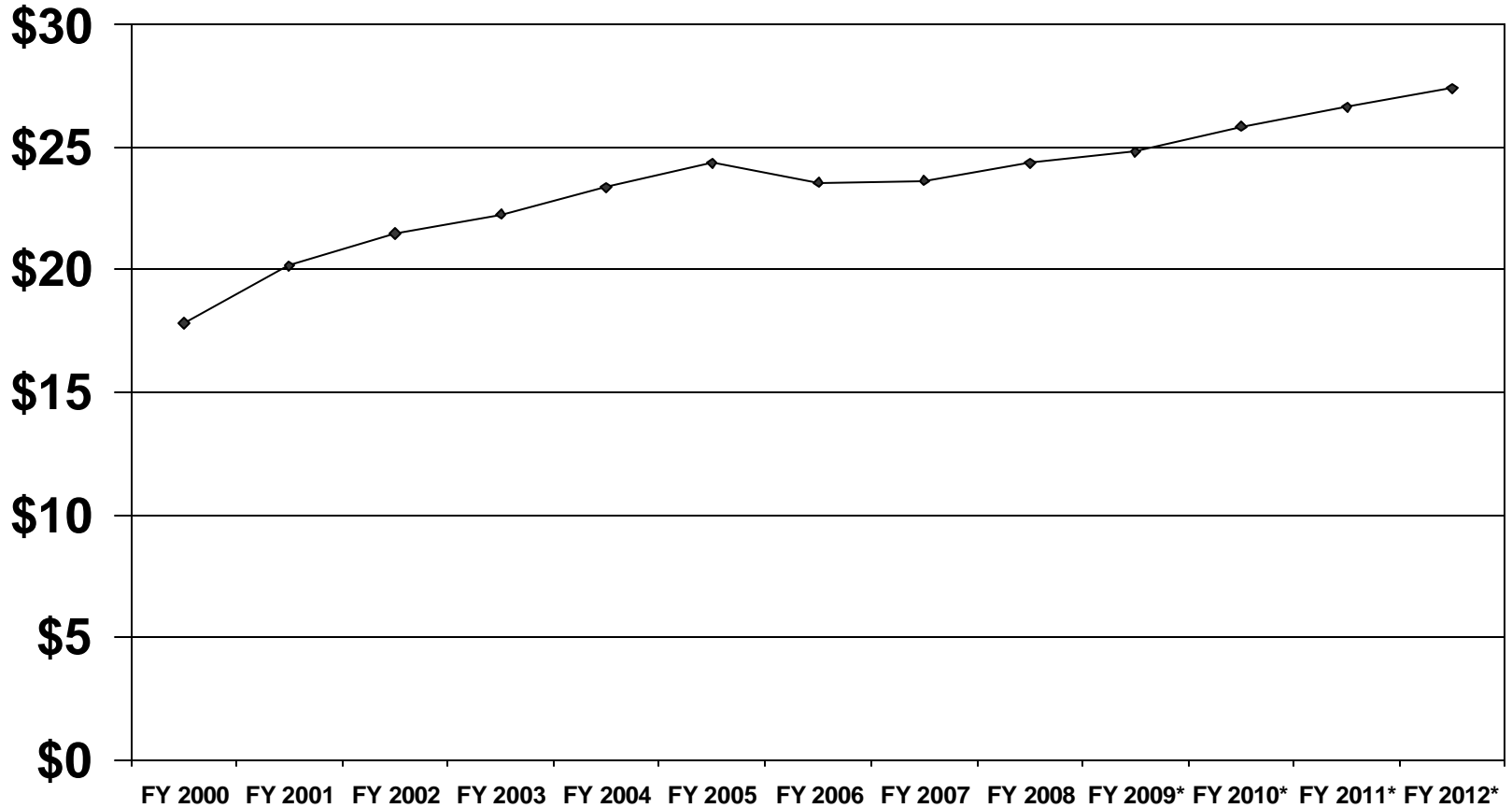
Unfunded Benefit Obligation (Net Actuarial) -- \$15.8B

Financial Statement Liability (accrued unfunded) -- \$11.9B

Contribution -- \$858M

DEPARTMENT OF ENERGY BUDGET

Enacted FY 2000-2007 -- Requested FY 2008 --
Forecast FY 2009*-2012*



POLICY GOALS

- Improve stewardship of taxpayer dollars by:
 - Mitigating cost growth associated with benefit liabilities.
 - Moderating the volatility and improving the predictability of the Department's cost reimbursement obligations.
 - Ensuring that costs for contractor employee pension and medical benefits are more consistent with market trends.
- Ensure fairness to incumbent contractor employees.
- Provide direction on the treatment of contractor post-retirement benefits at closure sites.

CURRENT STATUS

- Consulting with Congress and other key stakeholders to solicit their views on the challenge faced by the Department on contractor employee pension/medical benefits
- Will provide the public with the opportunity to share their views