

Hanford Site Benefit Plans

Efforts to
Monitor and
Control
Medical and
Pension
Benefit
Expenses



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- ◆ **Fluor Hanford, Inc. administers pension benefits for 11 Hanford Site Contractors and medical benefits for nine Hanford Site Contracts who sponsor the Plans. While FH administers the Plans, DOE and the Committees governing the Plans are ultimately responsible for approving any changes to Plan provisions. Additionally, labor agreements with HAMTC and HGU dictate benefit provisions.**

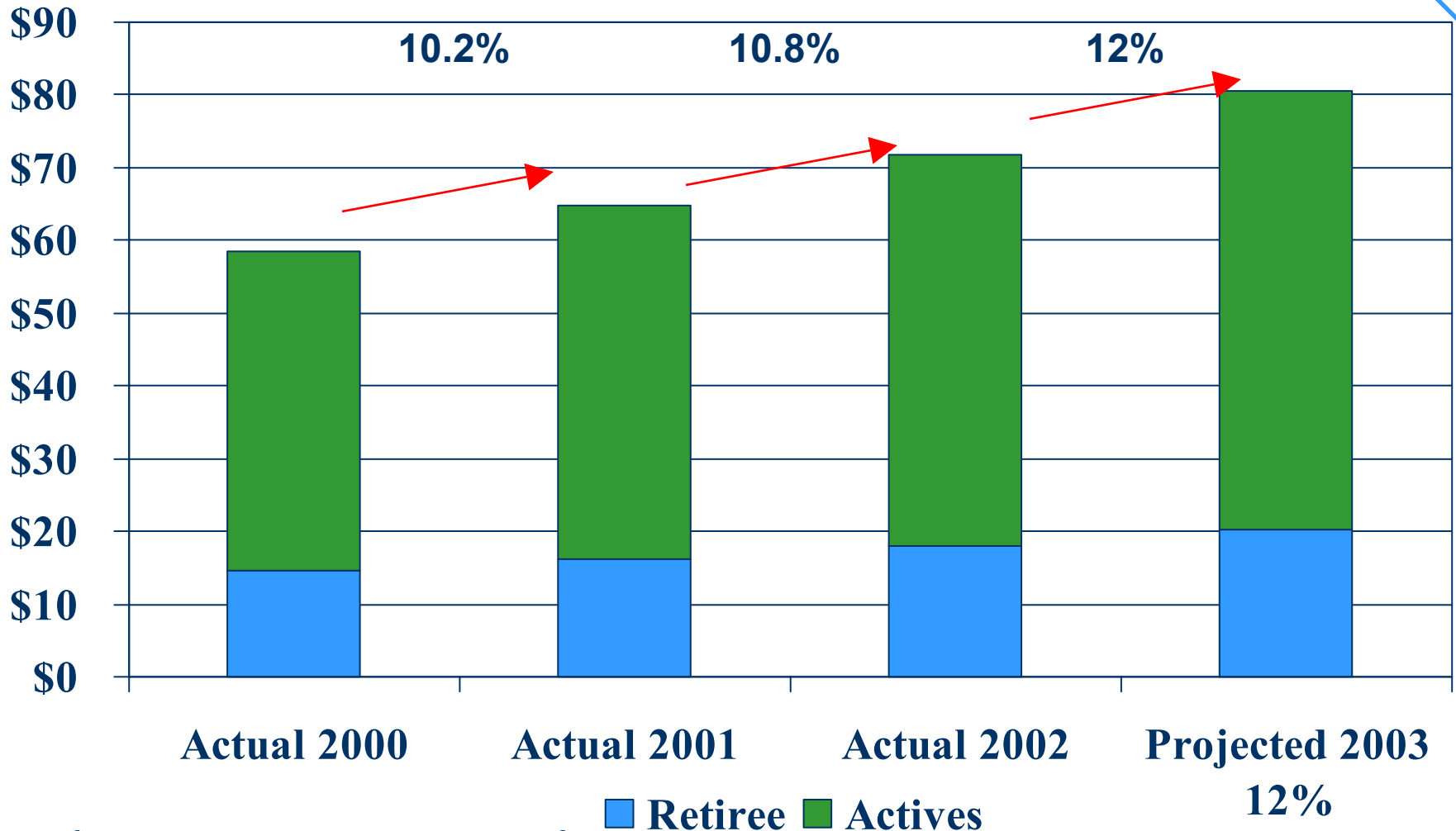
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Plan Sponsors

- ◆ Bechtel Hanford, Inc.
- ◆ Bechtel National, Inc. (Pension Only)
- ◆ CH2MHill Hanford Group, Inc.
- ◆ CH2MHill Hanford, Inc.
- ◆ Day & Zimmermann dba Protection Technology Hanford
- ◆ Duratek Federal Services, Inc.
- ◆ Eberline Services, Inc.
- ◆ Energy Northwest, Inc.
- ◆ Fluor Hanford, Inc.
- ◆ Numatec Hanford, Inc.
- ◆ Pacific Northwest National Laboratory (Pension Only)

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Medical Costs (in millions)



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Active Medical Costs

◆ Overall Cost in CY2002

– \$7,244 (Employer \$6,829 / Employee \$415)

– CIGNA PPO

• \$8,102 (\$7,502/\$600) 44%

– Options Point of Service – Group Health

• \$6,679 (\$6,319 / \$360) 33%

– HMO – Group Health

• \$6,648 (\$6,468 / \$180) 23%

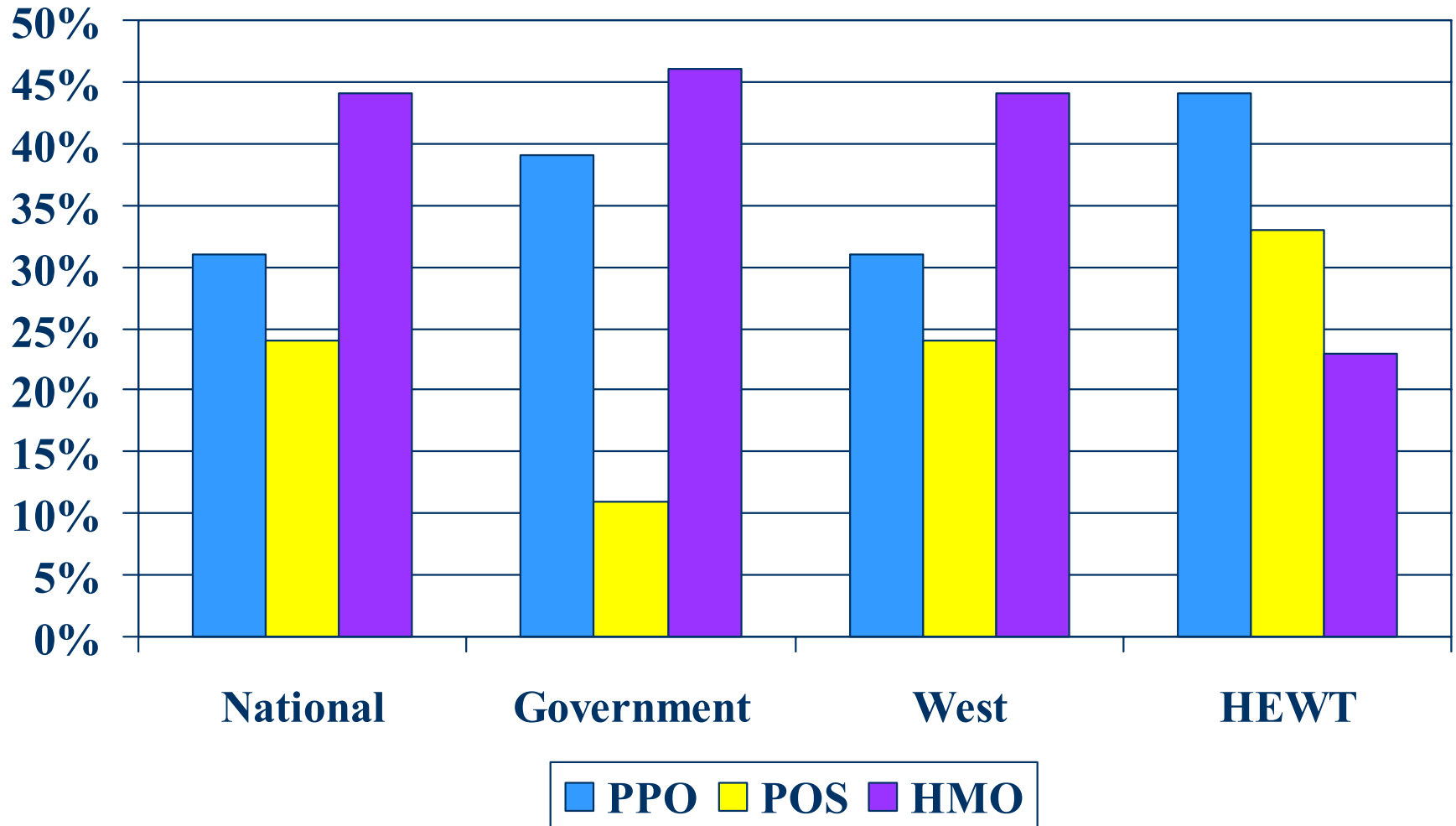
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Retiree Medical Costs

- ◆ **Overall Cost in CY2002****
 - \$3,055 (Employer \$2,540 / Retiree \$515)
- ◆ **Over age 65**
 - \$2,377 (Employer \$2,047 / Retiree \$330)
- ◆ **Under age 65**
 - \$4,735 (Employer \$3,762 / Retiree \$973)

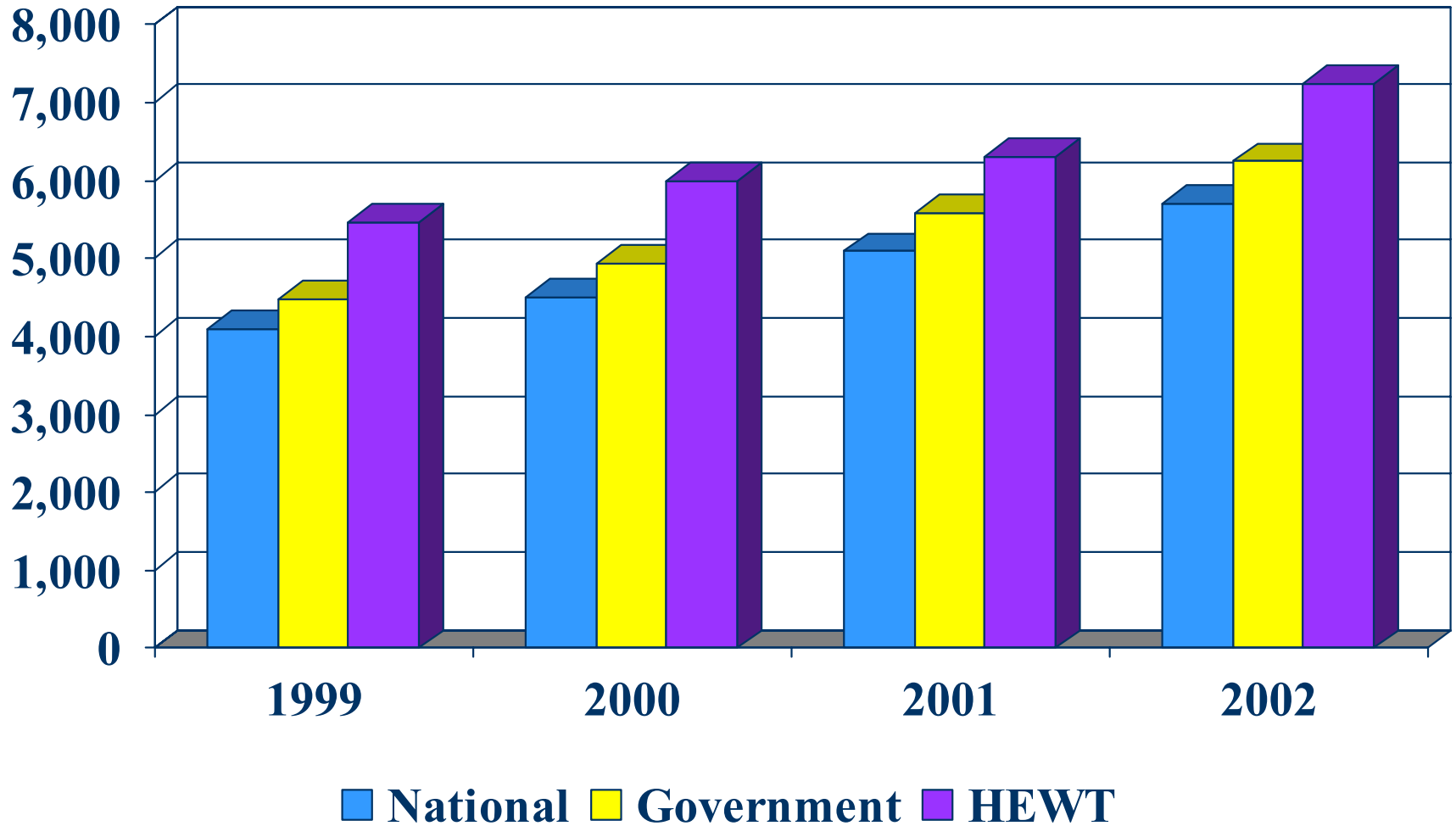
**96% are covered under self-insured Plans

Enrollment By Type of Plan



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Average Medical Plan Costs



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Medical Costs Rising at Double Digit Pace

- ◆ **Mercer Survey (large employers)**

- 2001 11.2% 2002 12.1%

- ◆ **Towers Perrin Health Care Cost Survey**

- 2000 10% 2001 12% 2002 13%

- ◆ **Watson Wyatt Survey**

- 2001 HMO 10.5%; POS 9.6%; PPO 9.1%
 - 2002 HMO 13.9%; POS 12.7%; PPO 13.7%

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Medical – What have we done?

- ◆ Pharmacy benefit manager
- ◆ Increase cost share to retirees
 - Moved from less than 10% to 25% Premium
 - Pre-1987 Retirees went from \$9/year to \$24/month
- ◆ Active population contribution increases
- ◆ Change in 3rd party administrator
- ◆ 3-tier drug benefits for retirees
- ◆ Working with union on medical cost reductions

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HAMTC Rate Schedule

PPO	2003	2004	2005
Employee	9.4%	10.36%	13.24%
Employee +1	8.68%	10.76%	11.84%
Employee +Fam	8.6%	10.7%	12.8%
GH POS			
Employee	7.56%	9.42%	11.28%
Employee +1	7.8%	9.6%	11.4%
Employee +Fam	7.64%	9.48%	11.32%
GH HMO			
Employee	5.8%	8.1%	10.4%
Employee +1	5.48%	7.86%	10.24%
Employee +Fam	5.88%	8.16%	10.44%

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HAMTC Rate Schedule \$

PPO	2003	2004	2005
Employee	\$40.95	\$49.65	\$69.80
Employee +1	\$71.62	\$97.66	\$118.21
Employee +Fam	\$115.97	\$158.72	\$208.86
GH POS			
Employee	\$18.78	\$25.74	\$33.90
Employee +1	\$35.51	\$48.07	\$62.79
Employee +Fam	\$58.23	\$79.48	\$104.40
GH HMO			
Employee	\$14.56	\$22.37	\$31.59
Employee +1	\$25.11	\$39.61	\$56.77
Employee +Fam	\$45.11	\$68.86	\$96.91

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(Monthly)

HAMTC Rate Schedule \$

PPO	2003	2004	2005
Employee	\$491.40	\$595.8	\$837.60
Employee +1	\$859.44	\$1,171.92	\$1,418.52
Employee +Fam	\$1,391.64	\$1,904.64	\$2,506.32
GH POS			
Employee	\$225.36	\$308.88	\$406.80
Employee +1	\$426.12	\$576.84	\$753.48
Employee +Fam	\$698.76	\$953.76	\$1,252.80
GH HMO			
Employee	\$174.72	\$268.44	\$379.08
Employee +1	\$301.32	\$475.32	\$681.24
Employee +Fam	\$541.32	\$826.32	\$1,162.92

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(Annual)

IMPACT OF CHANGING THE PHARMACY PROGRAM

- ◆ PROJECTED 2002 COST W/O CHANGES: \$16,750,000
- ◆ NEW PRICING STRUCTURE (\$ 1,300,000)
- ◆ PLAN DESIGN CHANGES (Retirees)

Estimated Retiree Drug Cost in CY2002

Old two-tier structure \$ 8,800,000

New three-tier co-payment \$ 7,400,000

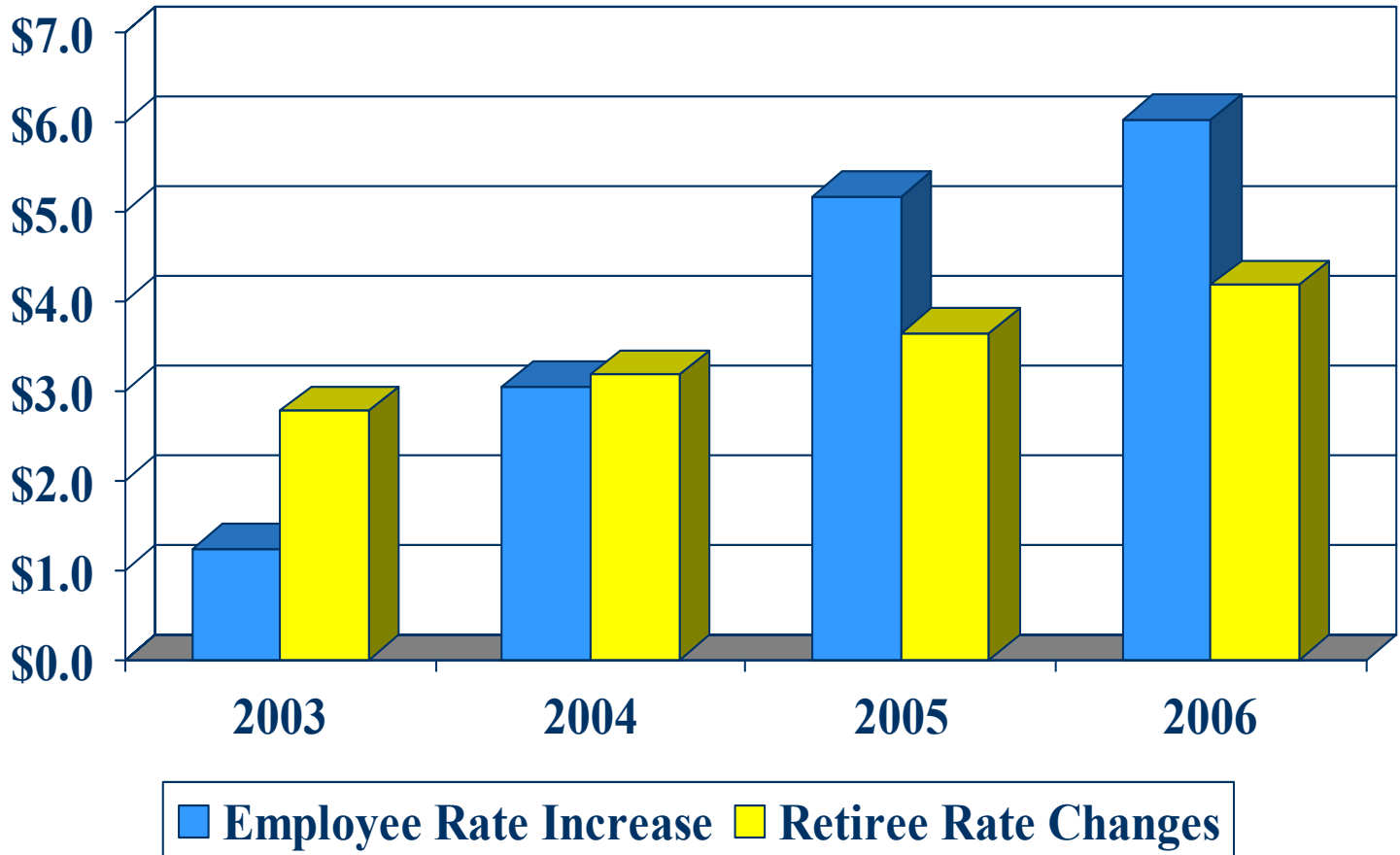
Total (\$ 1,400,000)

ESTIMATED OVERALL IMPACT (\$ 2,700,000)

ESTIMATED 2002 COST WITH CHANGES \$14,050,000

= (16.1 %)

HEWT Shift in Cost Sharing (millions)



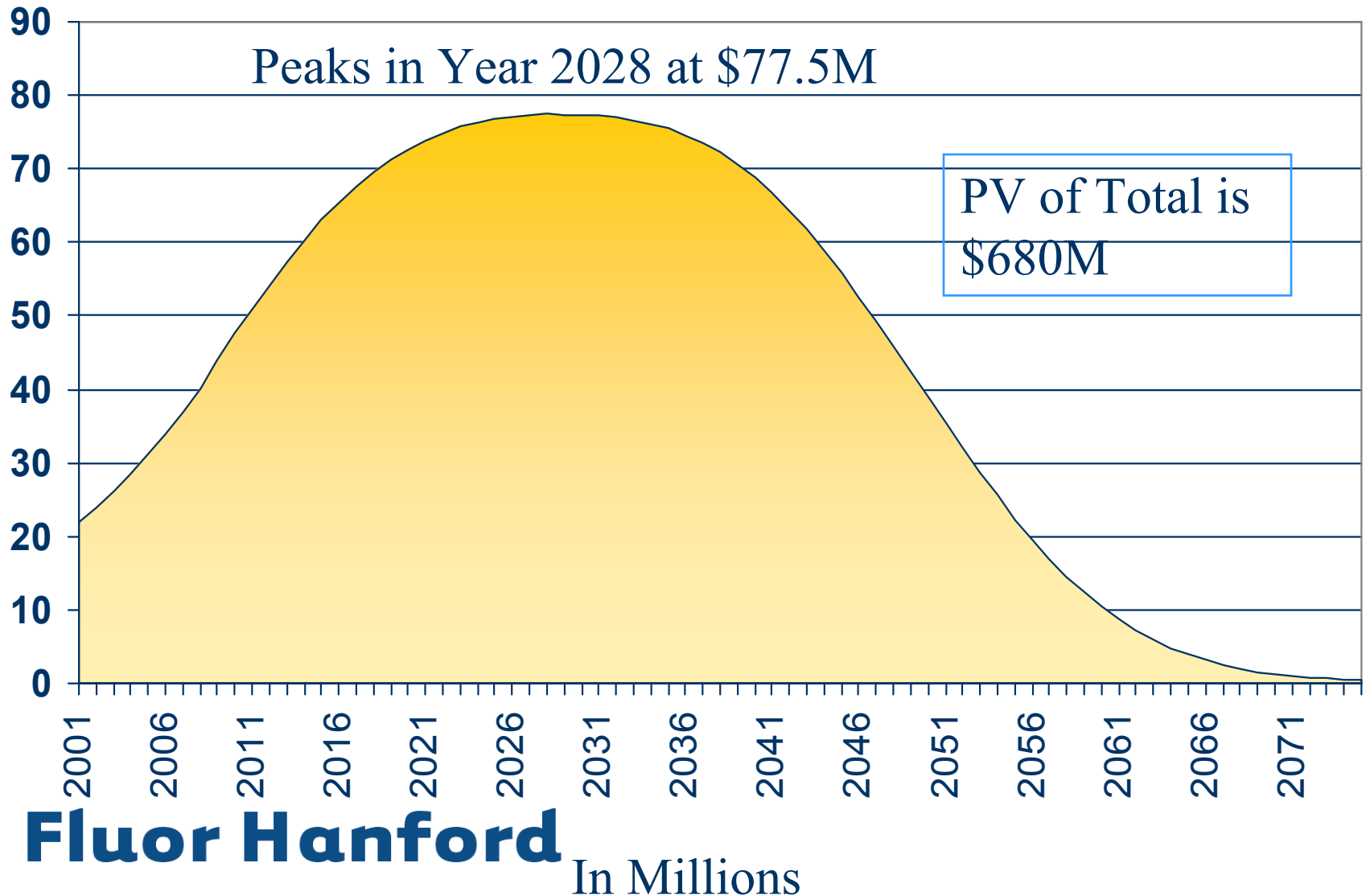
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Change in 3rd Party Administrator

- ◆ RFP initiated May 2002
- ◆ Selected UnitedHealthcare
- ◆ Started January 1, 2003
- ◆ Est. Administration Cost Savings:
\$1.1M/yr
- ◆ Est. Claims Cost Savings over three
years: \$15 M

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Hanford FAS 106 Costs



Hanford Site Pension Plans

Three Step
Process to
Solidify
Pension Plans
and Reap
Administrative
Cost Savings



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Hanford Site Pension Plans

- ◆ **9 Sponsoring Contractors**
- ◆ **\$750M in Plan Assets**
- ◆ **8,000 Active Participants**
- ◆ **8,800 Term Deferred and Retirees**
- ◆ **\$4.2M monthly pension payroll**
- ◆ **\$20M in annual lump sum distributions**

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Savings Actions Taken

- ◆ # 1 January 1, 2000, the Hanford Pension Trust was created to co-mingle funds for Investment purposes
 - Projected Life Cycle savings of \$400M
- ◆ # 2 Merger of O&E and HAMTC Plans
 - Merge assets for funding purposes – FY2003 pension contribution reduced \$3.5M
- ◆ # 3 Merger of the O&E/HAMTC and HGU Plan
 - HGU Plan is small – minimal funding impact
- ◆ Lump Sum Provision 1999
- ◆ Elimination of Enterprise Segment

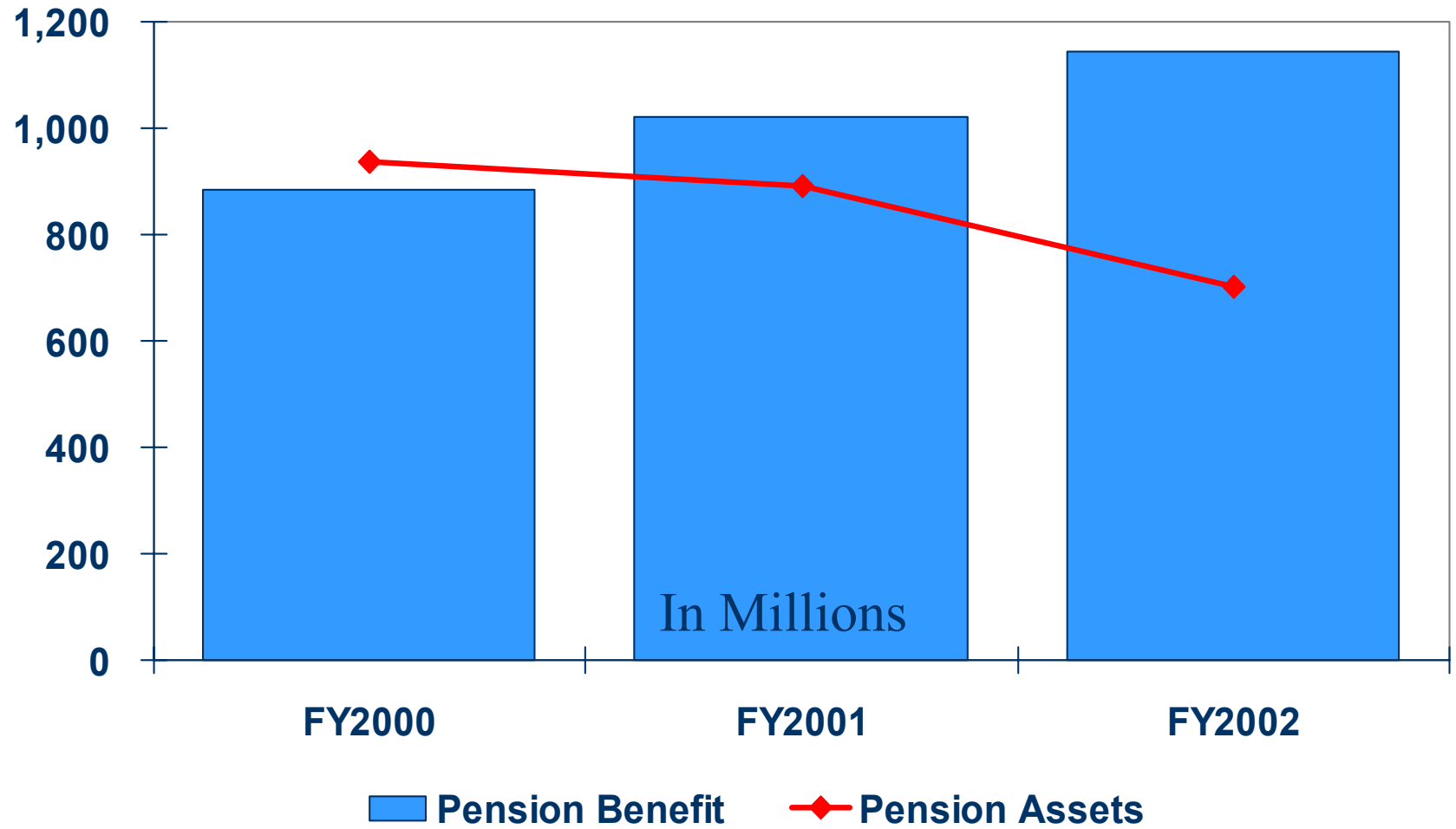
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Plan Mergers

- ◆ **Merged Plan to be “Multi-employer” Plan under Title IV of ERISA**
 - **Estimated annual savings of \$170K on PBGC premiums**
 - **Actual 2003 savings of \$710K (eliminated variable premium)**
 - **Other Savings: Audit, Trustee, Actuarial, 5500**

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DOE-RL & ORP Unfunded Pension Obligations



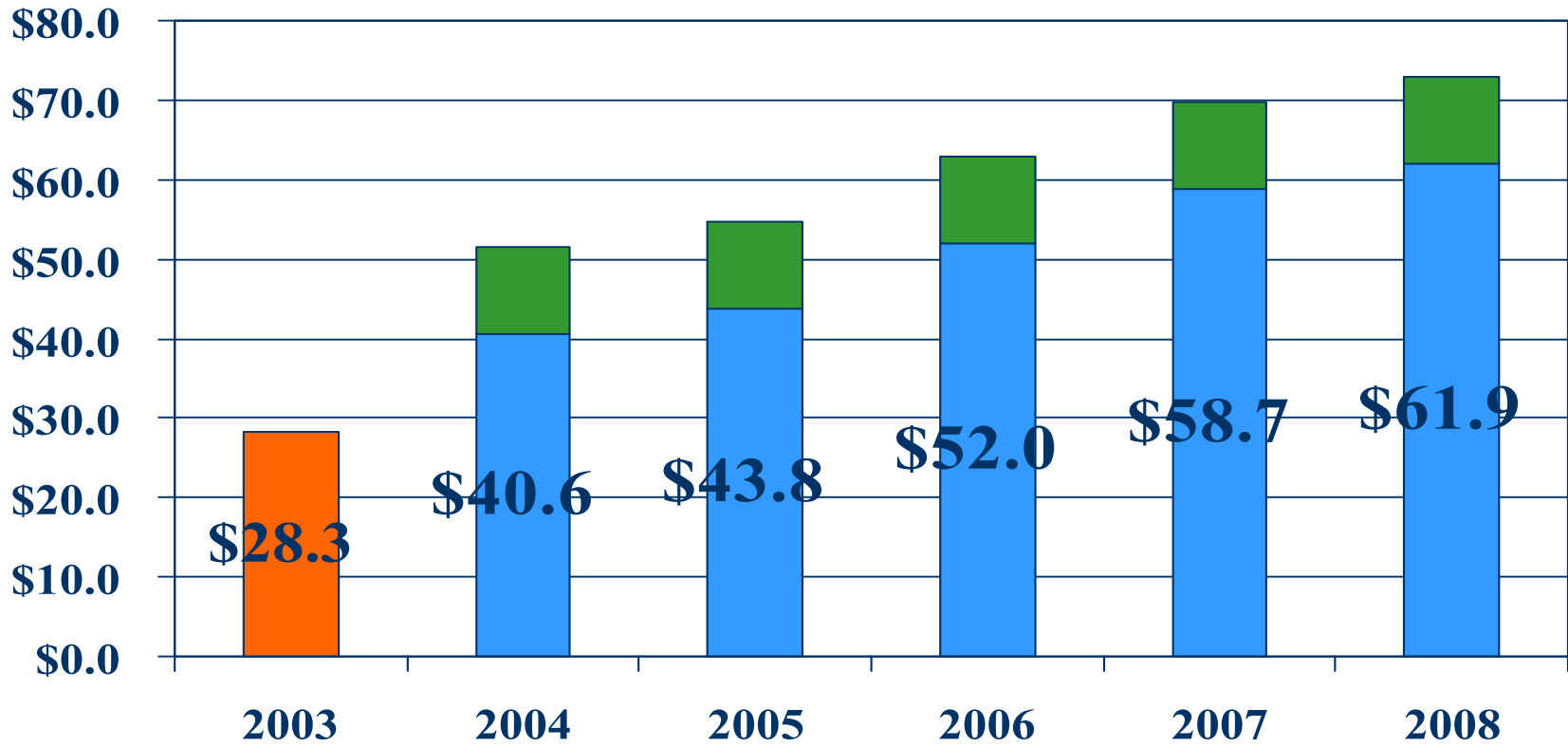
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Assets are down

	Hanford Funds	Hanford Policy Index	S&P 500	Russell 2000	NASDAQ	MSCI EAFE	LB Aggr
2000	4.8	-3.0	-9.1	-3.02	-38.83	-14.17	11.63
2001	-1.2	-4.8	-11.88	2.49	-20.13	-21.44	8.44
2002	-10.0	-11.3	-24.19	-21.54	-32.32	-15.7	10.26
Cum.	-6.81	-18.1	-39.28	-22.01	-66.93	-43.16	33.47

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Est. Pension Contributions (millions)



Actual Est. Contribution Eliminate Segment

'04-08 reduced by \$11M each year as a result of eliminating the Enterprise segment

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