

Pension/ Healthcare Practices



Contractors Financial Management Alliance Meeting

Sandra Fairchild
Business Management / CFO
Savannah River Remediation, LLC

April 20, 2012

- SRR and SRNS Benefit Plans Overview
- Focus on Performance
- Actions to Reduce Benefit Costs

- Board of Directors/Managers delegates responsibility to Committees:
 - Savings & Pension Administrative Committee
 - 5 Voting Members appointed by SRNS President
 - 2 Voting Members Appointed by SRR Board of Managers
 - Separate SRR and SRNS Health & Welfare Benefits Committees (Meet jointly as needed)
 - SRNS Committee has 5 Voting Members appointed by SRNS President
 - SRR Committee has 3 Voting Members appointed by the SRR Board of Managers
- Governance Policy
 - Committee delegates responsibilities into 3-prong management approach
 - Benefits Administration; Day to day administration and plan design
 - Benefits Accounting; Financial transactions and reporting
 - Investment Management; Investment sub-committee

- Internal Oversight
 - Savings and Pension Administrative Committee
 - Includes internal legal advise and counsel
- Regulatory Oversight
 - Department of Labor (DOL) and ERISA
 - Internal Revenue Service & Pension Benefit Guaranty Corp
 - DOE Approvals
 - DOE Order 350.1
 - Contract H Clause
- Plan Advisors / Consultants
 - External ERISA Counselor; Davis Wright Tremaine
 - Health & Welfare Plans; Towers Watson
 - Investment Advisors; Aon Hewitt EnnisKnupp
 - Actuary; Buck Consultants
 - Auditors; Elliott Davis

- Active Participant
 - Number 5,820
 - Average Age 52
 - Average Service 24
- Retired Participants and Beneficiaries
 - Number 7,508
 - Annual Retirement Pensions \$119.7M
 - Former Employees with Vested Benefits
 - Number 4,517
 - Annual Retirement Pensions \$30.6M
- Eligibility
 - Covers SRNS & SRR Incumbent Employees
 - Closed to New Entrants (SRNS 08/01/08; WSRC/BSRI 12/09/08; SRR 07/01/09)

- Vesting
 - -Five Year Cliff
- Eligible Compensation
 - Base pay, overtime and overtime lump sums, shift differential, holiday pay, and employee certification pay,
- Forms of Benefit Payout
 - Standard monthly annuity
 - Monthly annuity with income leveling option (before and after age 62 benefit)
 - Survivor payment
 - 50/75% Spouse/Child and 10%, 20%, 30%, 40%, Joint & Survivor option
- Cash Lump Sum Payout
 - Under \$1,000 of present value of the benefit
- Death Benefits
 - Pre-retirement - 50% company paid benefit earned to date of death reduced by early retirement if appropriate
 - Post-retirement - Up to 100%, company and employee paid reduced for early retirement if appropriate

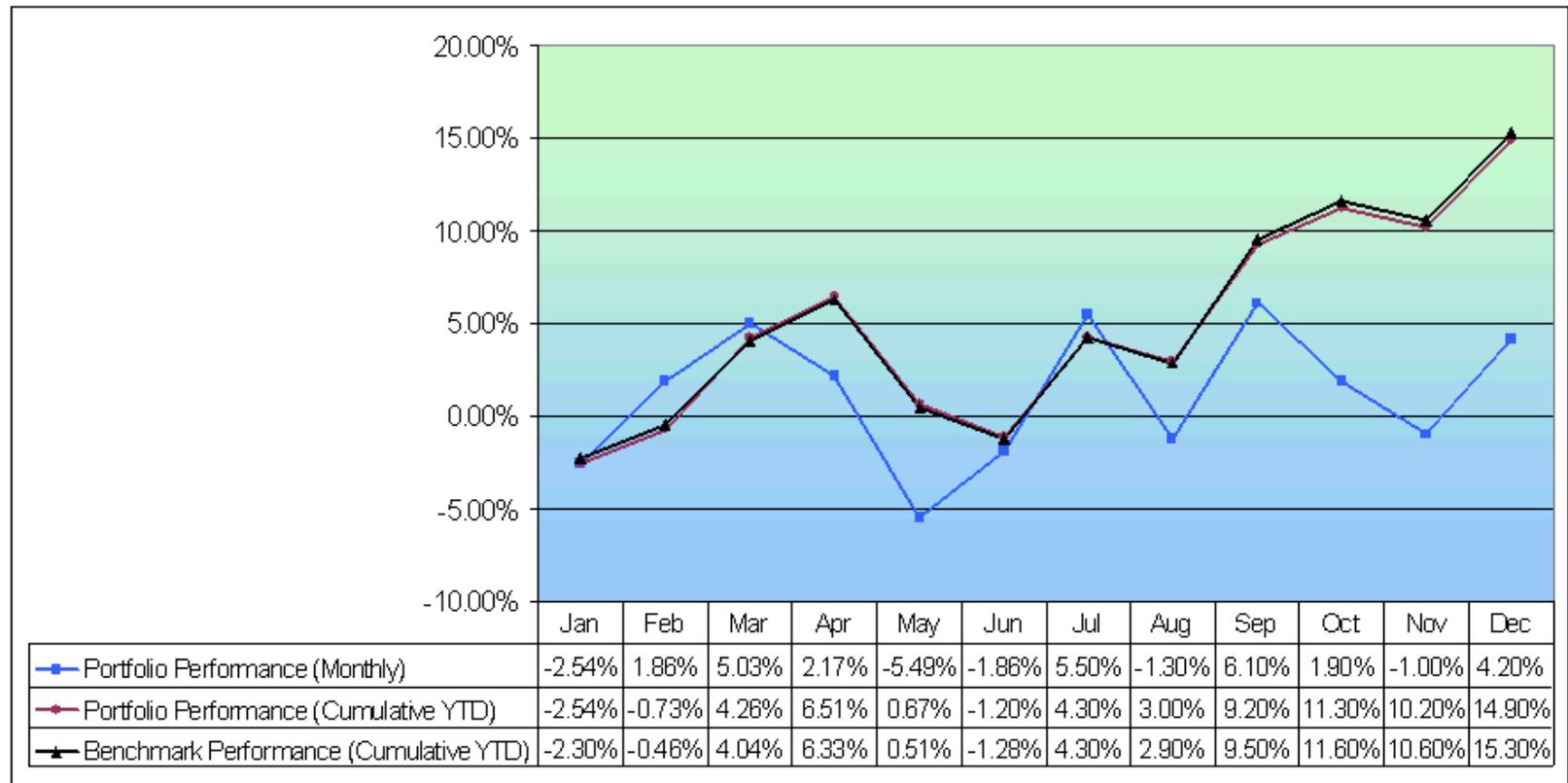
- Payout Availability
 - Normal Retirement
 - Age 65 + 15 years eligible service
 - Early Retirement
 - Age 50 + 15 years eligible service - *Reduced*
 - Age 58 + 27 years of eligible service - *Unreduced*
 - Incapability Retirement
 - Any age + 15 years eligible service
 - Disabled from own occupation
 - Optional Retirement
 - As early as Age 45 + 25 years of service (46/23, 47/21, 48/19, 49/17)
 - Payable under workforce reduction
 - Deferred Vested
 - 5 years eligible service
 - Paid unreduced at normal retirement age (65)
 - Paid at early retirement age 50 with 15 years of service. Reduced .004167 for each month earlier than age 65. (5% a year.) If less than 15 years service benefit is payable unreduced at age 65.

	Incumbents (Program A)	New Hires (Program B)
Employee Contributions	Pre-Tax, After-Tax, Catch-Up	Pre-Tax, After-Tax, Catch-Up
Employer Match	\$0.50 / \$1.00 up to 6%	\$0.50 / \$1.00 up to 8%
Match Waiting Period	1 Year unless previously in plan	1 Year unless previously in plan
Match Vesting	3 Year Cliff	3 Year Cliff (Auto Contribution Immediate)
Auto-Contribution	N/A	5%

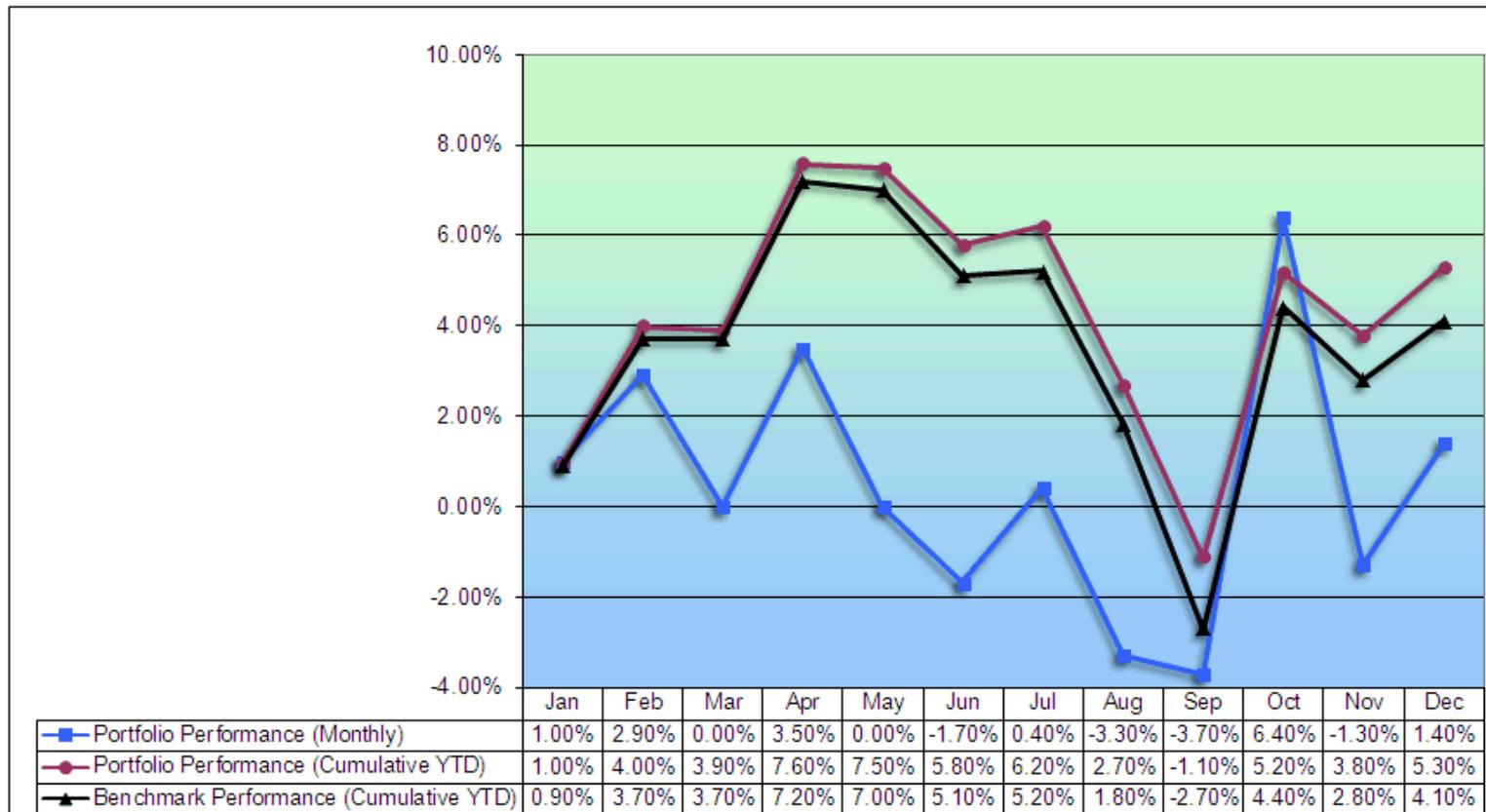
- Total Amount Invested \$1,487,054,017
- Number of Funds 14
- Participant Weighted Average Expense Ratio .2402%
- Rebates (applied to Plan expenses) \$296,212
- Amount in Stable Value Funds \$698M
- No. Employees with 100% in SVF 2135
 - 731 of these employees age 60 or more

- Eligible Employees 6,502
- Participating Employees 5,638
- Participation Rate 86.71%
- Average Contribution Rate 9.06%
- Average Number of Funds 3.8
- Average Age 51
- Average Years of Service 21.5
- Average Account Balance \$164K

Monthly Pension Asset Performance – 2010



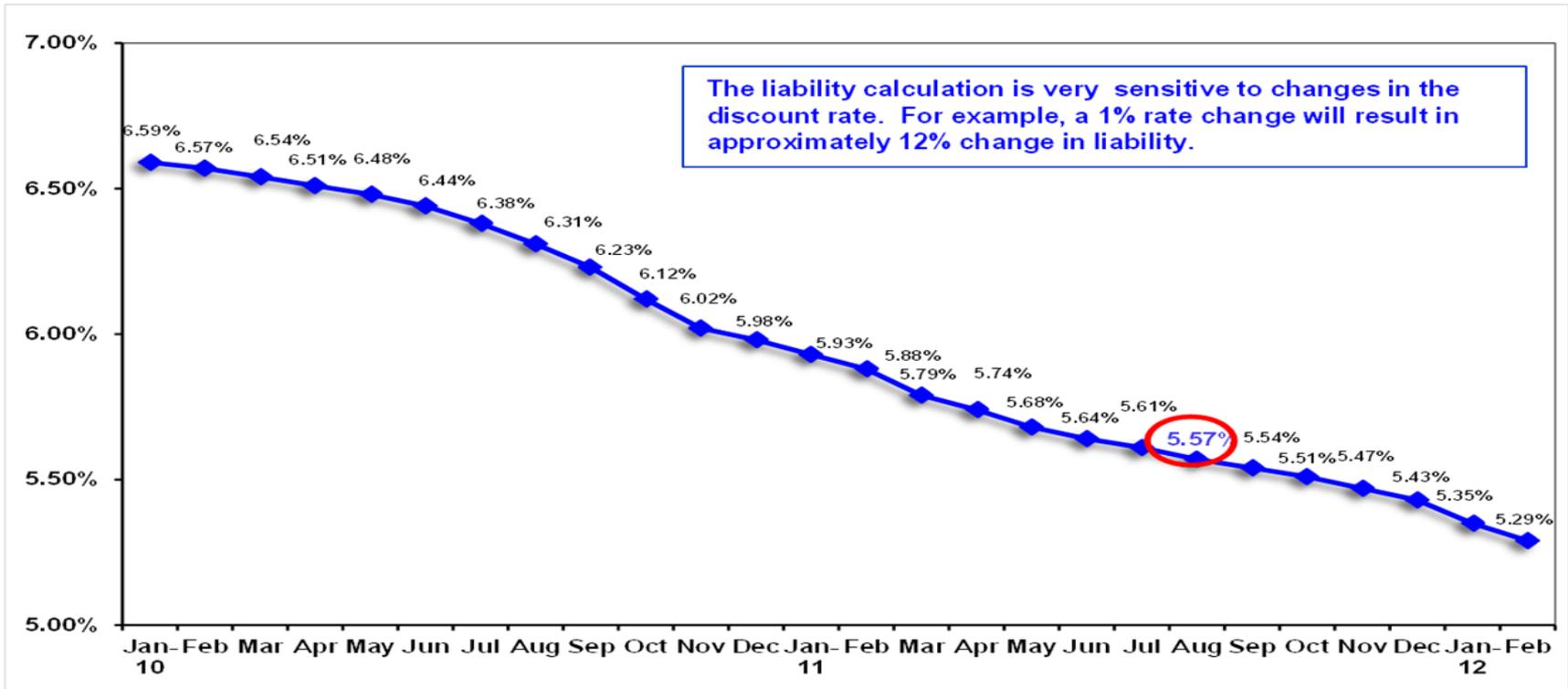
Monthly Pension Asset Performance – December 2011



We do the right thing.

Discount Rates (Segment Rate) 2010 Through February 2012

This discount rate is used to measure pension liability, which is the most significant factor impacting annual pension contributions.



Footnote: The August 2011 rate of 5.57% is the rate used for the 2012 Pension liabilities, and the August 2010 rate of 6.31% is the rate used for the 2011 Pension liabilities

Asset Allocation Overview

	Jan-09 Target	Jan-10 Target *	Oct-10 Target **	Dec-11 Actual	Long Range Target
<u>Asset Allocation:</u>					
Cash & Cash Equivalents	0%	0%	0%	0.6%	0%
Fixed Income					
Intermediate & BC Aggregate	30%				
Long Duration Investments		30%	30%	30.4%	30%
Equities					
U.S. Large Cap Equities	35%	35%	30%	22.9%	10%
U.S. Small Cap Equities	10%	10%	5%	5.3%	5%
Global			15%	14.9%	15%
International - ACWI Non U.S.	20%	20%	15%	13.6%	15%
Real Estate					
Real Estate Investment Trust				2.3%	2%
Real Estate Investment Trust	5%	5%	5%	5.5%	5%
Diversified Strategies					
Hedge Fund Of Funds				4.5%	5%
Other					13%
Total	100%	100%	100%	100.0%	100%

Footnote:

* = In December 2009, Liability Driven Investing (LDI) strategy was implemented in the Fixed Income portfolio to closer match pension liabilities.

** = In November 2010, phase one of the transition phase was further diversified into the Global Equities.

- Rebid Benefit Contracts
- Review Benefit Plan Designs
- Compare Programs Against Best Practices
- Look for Administrative Efficiencies
- Compare Plan Design and Costs Against Competition

- Completed Reviews
 - Reviewed each plan design, contract, and process to ensure market competitiveness, utilization of best practices and advanced technology.

- Rebid the following benefit contracts
 - **Investment Advisor --- Rebid**
 - New Advisor with Co-Fiduciary Responsibility
 - Callan Associates to Hewitt Ennis Knupp.....\$ 203K annual savings

 - **SRNS, LLC Defined Contribution Plan (SIP - 401k)---Rebid**
 - New Record Keeper with Bundled Trustee Services
 - Hewitt to Mercer.....\$ \$979K annual savings

 - **Disability Case Management and Social Security Disability Income Advocate---Rebid**
 - Previously managed internally - Hired Sedgwick CMS as the Long Term Claims Administrator
 - Previously individuals hired their own lawyers - SRR/SRNS contracted with Allsup as SSDI Advocate

- Rebid Actuarial Contract and Pension Benefit Processing
 - Buck to Buck.....\$254K annual actuarial savings
 - Pension Automation Project Underway;
 - 03/01/2012 Implementation of Pension Benefit Calculations Program
 - Future Pension Benefit Calculation Savings.....\$ 150K annually
 - (Previously was \$300 per calculation.)
 - Valuation Process, including modeling capabilities
 - Individual (self service) Pension Estimates June/July 2012 implementation
 - Will have current data and outside SRS firewall

- Rebid Medical/Dental/RX Plan and Medicare Advocacy Contract
 - Medical/Dental/RX BCBSSC to BCBSSC
 - 3 year savings \$4.1 M
 - Medicare Advocacy contract awarded to ACS Buck
 - Administrative Savings
 - Help Medicare eligible retirees to transition to new plan
 - Rebid Qualified Domestic Relation Orders (QDROs) Administration
 - Buck to QDRO Consultants\$650 savings per QDRO
 - (48 QDROs in 2011; 28 QDROs to date in 2012)

- Elimination of Incapability Retirement Supplement
 - Savings \$.5M annually, \$3.8M total
- Elimination of future employer paid post-retirement spousal benefit accruals (froze employer paid spousal benefit as of 12/31/2011)
 - Savings \$ 3.1M annually, \$ 26.1M total
- Elimination of charge for pre-retirement death benefits; applied early retirement and Joint & Survivor reductions to survivor benefits of active employees; and eliminated parents and stepparents as beneficiaries of employer paid survivor benefit
 - Combined Savings \$.4 annually, \$2.2M total

- Short Term Disability (STD)
 - Eliminated exceptions to benefit waiting period

- Long Term Disability (LTD)
 - Changed definition to qualify
 - Unable to do own job first 18 months
 - Unable to do any job after 18 months
 - Mental Health claims limited to 2 years
 - Required new LTD administrator to review all current recipients

- Medical
 - Raised employee cost sharing to 25% of paid claims (5.4% increase in 2011)
 - Revised prescription Drug Program
 - Negotiated Pharmacy rebates with BCBSSC.... \$2.2M first year
 - Established 3 Tier drug reimbursement (90% Generic; 80% Preferred; 70% Brand)
 - Introduced Mail Order Program
 - Established Soft Drug Restrictions (Only reimburse for generics if physician approves a generic substitute).....\$ 250K savings
 - Eliminated HMO
 - Average company costs for HMO were above PPO plan, limited participation
 - Increased specialist co-pays from \$20 to \$30

- Filed for Medicare Part D rebates \$1.44M
- Filed for Early Retiree Reinsurance Program (ERRP) rebates \$1.68M
- Moved Mental Health/Substance abuse claims administration from Value Options to BCBSSC
 - \$400K annual savings
- Defined Contribution Plan (SIP)
 - Added Loan fees of \$25
 - Added Financial Engines to program
 - Added Vanguard Target dated Funds
 - Implemented auto enrolment of new hires (4%)
- Health Care Reform
 - Maintained Grandfathered Status
 - Added Dependent Children under 26 coverage
 - added \$15M to the Accumulated Post-retirement Benefit Obligation (APBO)

- Maintain Grandfather Status in 2013 - \$890K Savings
- Separate pre-Medicare retiree medical/dental from active programs
 - Will not impact Grandfather Status
 - Will allow SRNS and SRR to modify pre-Medicare retiree plans separate from active plans. Retiree plans excluded from Health Care Reform
 - Price pre-Medicare retiree premium rates based on their claims experience
 - Presently retirees pay active employee rates
 - Increase pre-Medicare retiree rates by 15% a year until the sharing is at 25% cost sharing. Presently at 15% - APBO Savings TBD
- Remove Medicare eligible retirees from company medical and dental plans
 - Establish retiree Health Reimbursement Account (HRA) with company contributions
 - Company Contributions TBD, APBO Savings TBD
 - Hired a Medicare Advocate Company (ACS Buck)

- Maintain active employee medical cost sharing at 25% of claims (5.3% increase)
- Maintain active employee and pre-Medicare retiree dental cost sharing at 2012 rates (Approximately 44% employee cost sharing)
- Establish high deductible plan with Health Savings Account (HAS)
- Maintain active employee vision cost sharing at 100% (Insured product through EyeMed)
- Maintain pharmacy program with Caremark as the Pharmacy Benefit Manager (PBM) through BCBSSC
 - Introduce Drug Step Therapy
 - Establish Quantity Limits
 - Hard Genetic Drug Program (only reimburse for generic drugs if available)
 - Estimated savings from above programs \$1.5M
- Raise individual medical deductibles in 2014 from \$400 to \$600
 - Employees can offset 2014 deductibles by participating in various wellness incentives in 2013. Savings TBD

- Life Insurance Plans Review and possible Rebid
- Review of Short Term Disability
 - Waiting period and carryover hours
- Possible SIP Additions
 - Roth IRA Account
 - Self-Directed Brokerage Account
 - Hello Wallet - Budgeting to Save Tool
- Wellness Initiatives - Partnering with BCBSSC to develop