



March 15, 2011

To: SRNS and SRR Employees  
 From: Garry Flowers, SRNS President & CEO  
 Dave Olson, SRR President & Project Manager

### **Potential Benefit Plan Considerations**

Every two years, the Department of Energy requires its contractors to conduct a Benefits Valuation study. This study benchmarks the value of benefit designs of contractors against their peers - both industry and DOE sites.

We recently completed the study for our companies and scored in the ranking process above the cost-standard acceptable to DOE. The target score is 100 with corrective actions required for a score greater than 105 (SRNS/SRR scored 110). With a benefit score outside the acceptable range, we are required to develop and submit a corrective action plan detailing the benefit changes necessary to bring our companies back into alignment with DOE standards.

While the proposed actions we are sharing with you below have not been finalized, we wanted you to be aware of the potential changes under serious consideration that may occur in our benefits programs as a result of this study. We anticipate finalizing the proposed changes in the next few months and will be able to communicate in more detail as we get closer to the effective dates for the changes.

#### **Health Plan Changes being considered for January 1, 2013 (affects current and future retirees eligible for Retiree Medical)**

- We are considering transferring Medicare Eligible retirees from the SRNS and SRR Health Plans to Individual Medicare Advantage/Medigap plans that are partially subsidized by our companies using Health Reimbursement Accounts facilitated through a Medicare Coordinator;
- We are considering changing how costs are shared for retirees that are not yet Medicare eligible to be more accurately based on their actual healthcare costs;
- We are considering adding a Health Savings Account with the High Deductible Medical Plan "Basic" option for eligible plan participants; and
- We are considering a Wellness Focus Program for plan participants to promote good health practices and disease management.

#### **Proposed Multiple Employer Pension Plan Changes being considered for January 1, 2012 (affects future retirees eligible for Pension Plan)**

- We are considering changing the pension eligible earnings for employees receiving incentive compensation, to eliminate the provision that adds 50 percent of incentive compensation to the Pension Based Earnings calculation, applicable to incentive compensation awards paid after December 31, 2011 {Summary Plan Description, page 10};
- We are considering revising the Incapability Retirement provision to remove the Supplemental Payment for new claimants {Summary Plan Description, page 8};
- We are considering eliminating the reduction to the participant's pension benefit for the Pre-Retirement Spouse Benefit Option Coverage and Pre-Payment Spouse Benefit Option Coverage. However if death occurs prior to retirement, the survivor benefit will be reduced by an actuarial cost for that benefit {Summary Plan Description, pages 23-24}; and
- We are considering revising the employer paid subsidies for the Employer-Paid Survivor Benefit and Post-Retirement Spouse Benefit Option Coverage for future retirees. We are considering retaining the employer paid subsidy (approximately 40 percent), earned through December 31, 2011, which becomes a frozen Employer-Paid Survivor Benefit. Future retirees will have the option to purchase additional survivor coverage {Summary Plan Description, pages 21, 26}.

Change is never easy and often difficult to accept and understand - but necessary for the overall health of our benefits program. We will continue to keep you apprised of the status of the changes that are under consideration. As always, the Benefits Service Center is available to assist you by calling 5-7772.

Garry Flowers

Dave Olson

*The Employers periodically review the benefit plans and have the right to amend or terminate the plans at any time for any reason.*

