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DOE Announces New Policy for Contractor Benefit Reimbursements

WASHINGTON, DC – The Department of Energy (DOE) today announced new policy measures for the reimbursement of contractor pension and medical benefit plan costs that are based on sound business practices and market-based benchmarks for cost management. The Department will continue to reimburse contractors for costs for current and retired contractor employees' defined benefit pension plans and medical benefit plans under existing contract requirements. For new contractor employees, the Department will reimburse contractors for the costs of their market-based defined contribution pension plans (similar to 401(k)) and market-based medical benefit plans. The new policy will improve the predictability of contractor benefit costs and mitigate the growth of the Department's long term liabilities for these costs.

"We are committed to balancing the Department's responsibility to manage resources in a cost effective way with the needs of our contractor community to recruit and retain a highly qualified workforce," Secretary Bodman said. "The new policy recognizes the contributions of current and retired contractor employees and, at the same time, ensure that future costs for pension and medical benefits are more consistent with market trends."

In a letter to management and operating (M&O) and site management contractors, the Secretary outlined the new policy, which requires contractor pension plans and medical benefit plans for new employees to meet two market-based performance benchmarks commonly used by the private sector. This will ensure that pension plan and medical benefit plan costs to DOE are competitive and consistent with market trends. A contractor's pension and medical benefit plans meet the market-based benchmarks when the value and cost of each of its plans does not exceed benchmarks by more than 5 percent.

The new policy provides for reimbursement of contractor costs to provide a one-time option to employees currently in defined benefit pension plans who may wish to transfer to a new market-based defined contribution plan. The new policy will be implemented through a Departmental Notice in accordance with the each contractor's specific contract. The Notice establishes a timetable for implementing its requirements in affected contracts, but requires that full implementation be accomplished not later than March 1, 2007.

The new policy also establishes a number of more rigorous internal management improvements to ensure that the Department prudently and effectively plans for, administers, and carries out its obligations related to contractor pension and medical benefits, including treatment of post-closure benefit administration for closure site contracts.

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