Assessment Of Pension Benefits For Contractors' Employees In Hanford, Washington

Over the past several years, the Department of Energy, its operating contractors at its Hanford Project, and the Hanford Atomic Metal Trades Council, have disagreed on whether a change from a single to a multiple contractor program has caused contractors' employees to lose pension benefits.

GAO found that the Department's contractual arrangements protect the accrued pension benefits and vesting rights of Hanford employees transferring to successor contractors. Its analysis showed that successor contractors are giving employees pension vesting credit for their years of service at Hanford. Furthermore, the employees' benefits are generally comparable to what they would have received had a single contractor remained at Hanford. Also, Hanford retirees' benefits are based on pension plans bargained for in the past.

GAO concludes, however, that what level of pension benefits Hanford employees and retirees should receive and what types of pension plans the employees should have are issues that the Hanford Atomic Metal Trades Council and the contractors must settle at the bargaining table.
The Honorable Henry M. Jackson  
United States Senate  

Dear Senator Jackson:

In response to your August 25, 1980, request, signed jointly by former Senator Warren G. Magnuson and former Congressman Mike McCormack, we have reviewed the pension plans for contractors' employees at the Department of Energy's (DOE's) Hanford Project in Washington State.

Over the past several years, the operating contractors and the Hanford Atomic Metal Trades Council (HAMTC)—as well as DOE—have disagreed on the adequacy of pension benefits for Hanford employees. The disagreement primarily concerns whether DOE's change from a single to a multiple contractor program at Hanford has caused a loss in pension benefits for employees represented by HAMTC.

The Hanford Project is a broadly diversified research, production, and laboratory complex located near Richland, Washington. The project began operating in September 1944, and since its opening, private firms under Government contracts have operated the facilities and laboratories. The E. I. du Pont de Nemours and Company operated the project from 1944 to 1946, when the General Electric Company (GE) became contractor.

As contractor, GE operated all facilities and provided support services. In the early 1960s, GE decided to leave Hanford, and the former Atomic Energy Commission (AEC) adopted a multiple contractor program. Under the program—which DOE has continued—many private firms have operated the facilities and provided services formerly operated or provided solely by GE. Also, many former GE employees transferred to the successor contractors and remained employed at Hanford.

At August 1, 1980, DOE had contracts with eight private firms, employing about 10,300 workers at the project. Of these firms, five, classified by DOE as operating contractors, had collective bargaining agreements with the 16 international and local unions comprising HAMTC, which represents about 2,588 employees at Hanford.
Your request letter stated that DOE was asked to assess HAMTC's concerns regarding the employees' pension benefits. Specifically, DOE was to investigate whether, as a result of numerous contractor changes at Hanford since 1947, (1) the employees had been given credit for past years of service for pension purposes and (2) their total years of service are taken into account in computing their pension benefits.

The Acting Secretary of Energy's response concluded that all contractors at Hanford who had succeeded GE since 1965 had protected employees' earned pension benefits and carried them forward without loss for the employees. The Acting Secretary stated, therefore, the net effect has been that the contractors take the employees' total years of service into account in computing their final pension benefits and that no employee has lost earned benefits as a result of contractor changeovers.

The request letter stated that DOE's response was not acceptable to HAMTC, based on what it cites are the facts. The letter, therefore, requested that we make an independent analysis of the operating contractors' pension plans to determine whether (1) each successive contractor at Hanford has given credit to employees for continuous service and (2) retiring employees are being given credit for all their years of service. We agreed to concentrate our review on specific major issues of disagreement that HAMTC representatives detailed in correspondence and in later discussions with our representatives.

**OUR ANALYSIS**

In summary, DOE uses contractual arrangements to protect contractors' employees at Hanford and its other projects from losing accrued pension benefits when operating contractors are replaced. The successor contractors at Hanford are giving employees and retirees credit for their past years of service, and DOE's pension arrangements protect the accrued pension benefits and vesting rights of employees transferring to successor contractors.

Following are summaries of our findings and conclusions on the specific issues we reviewed. Appendix I to this report contains background information and the objectives, scope, and methodology of our review. Appendixes II to VII contain our detailed findings on each issue.
AEC and the successor contractors gave former GE employees adequate information on what to do with pension refunds

When AEC adopted the multiple contractor program at Hanford, its Richland Operations Office developed a plan to protect the pension benefits of employees not vested in GE's pension plan. The office created an A.E.C. Group Annuity Plan and purchased annuities for nonvested former GE employees with (1) refunds the employees received for moneys they contributed to GE's pension plan and (2) moneys GE contributed for the employees. Also, the employees joining the annuity plan had their GE years of service credited for vesting in the successor contractors' pension plans. GE employees who retained their refunds were not allowed to apply their GE years of service for vesting in the successor contractors' pension plans. They had to start all over again in accumulating time for vesting.

HAMTC officials stated that AEC and the contractors did not give former GE employees adequate information on the consequences of not joining the A.E.C. Group Annuity Plan or of withdrawing from the plan.

Our review showed that the Richland Office and the contractors adequately informed the former GE employees about the benefits of joining and the consequences of not joining the A.E.C. Group Annuity Plan—-or withdrawing from the plan. The sample letters and other information sent to the former GE employees we reviewed indicated that the obligation to educate the employees about their pension rights, benefits, and options was reasonably met.

We recognize that not every employee may have understood the advantages and disadvantages of joining the A.E.C. Group Annuity Plan. However, data provided to us by DOE showed that a great majority—about 80 percent of 2,100 former GE nonvested employees who had received refunds from GE—understood the advantages and joined the plan. Some employees did not join or withdrew their contributions from the plan. As a consequence, these employees lost the pension benefits and credited service. In our view, however, these were decisions made by the employees after adequate notice of the consequences. (See pp. 9 to 15.)

Successor contractors are giving Hanford employees vesting credit for years of service

During the period AEC was changing to multiple contractors at Hanford, the Richland Office required that all contracts include
arrangements similar to the A.E.C. Group Annuity Plan to protect employees' pension benefits. In May 1974, AEC expanded the pension arrangements developed at Hanford and published them in its manual as part of its general policy for cost-type operating contractors. AEC established the pension arrangements to help assure, where feasible, that contractors' employees would not lose or forfeit accrued pension benefits solely because of a change in contractors. AEC's most preferred pension arrangement is to have the successor contractor continue the prior contractor's pension plan. If the plan is not continued, the successor contractor must make arrangements to assure the employees' past benefits are protected and their prior years of service are recognized and counted for pension purposes. DOE has continued these arrangements. (See app. IX.)

HAMTC officials stated, however, that DOE's pension arrangements have failed to preserve and protect the continuity of Hanford employees' pension benefits. The net effect of the multiple contractor program at Hanford, according to HAMTC, has been for contractors to totally discount employees' past years of service in calculating vesting credits for pensions.

We found, however, that successor contractors are giving Hanford employees credit, for vesting purposes, for past and current service and that DOE's pension arrangements appear to protect the accrued pension benefits and vesting rights of employees transferring to the successor contractors.

Upon reviewing three contracts at Hanford that had a change in contractors, we found that the three successor contractors had given all the former active GE employees credit for vesting for pension benefits for work with them and the prior contractors. As a result, about 97 percent of the active employees we tested were fully vested in their normal retirement benefits, and the other 3 percent were over 80-percent vested. Our further analysis of the employees who had retired showed that all had been given credit for combined service with the prior and successor contractors.

On the basis of our review, we believe that DOE's pension arrangements have been successfully applied to operating contractors at Hanford and that employees at Hanford are being credited for past service by the successor contractors. (See pp. 16 to 20.)

**Successor contractors' pension benefits comparable to benefits GE would have provided**

DOE prepared several tables comparing GE's and the operating contractors' pension benefits. Its comparisons indicated that the...
Hanford employees will receive pension benefits from the successor contractors that generally are equal to or greater than the benefits GE would have provided, except for Boeing Computer Services, Richland.

HAMTC officials strongly disagreed with DOE's study. They questioned (1) the accuracy of Table 1, (2) DOE's inclusion in the tables of increases in pension benefits that the operating contractors offered, but that HAMTC had not accepted at that time, (3) DOE's estimated monthly pension benefits for GE in Table 1, which ranged from $320 to $476 (HAMTC also stated that, had GE remained at Hanford, employees would have received a $700 monthly pension), and (4) the low benefits for Boeing Computer Services' employees.

Our review disclosed that the estimated monthly benefits in the tables do, as HAMTC stated, include the proposed increases offered by the contractors. However, after we completed our fieldwork, HAMTC and the operating contractors signed a new labor agreement and, as part of the agreement, HAMTC accepted the contractors' pension benefit increases. Also, on the basis of our analysis and tests, we concluded that DOE's and the contractors' calculations of what Hanford retirees would receive under their and GE's pension plans in Table 1 are accurate.

We could not verify HAMTC's statement that Hanford retirees would receive a $700 monthly pension had GE remained because the consultant who developed the figure did not have any documents to support his calculations and monthly projection. He said the $700 is an estimate based on increases in pension benefits--of about 49 percent--that GE has given since 1967 to its retirees.

Normally, increases given to retirees are not granted or applied to accrued pension benefits for active employees. In fact, HAMTC's consultant acknowledged in his study that Hanford workers had not received all of the 49-percent increase GE granted its retirees. Thus, DOE has not included the 49-percent increase in calculating the estimated GE monthly pension benefits on the tables.

Boeing officials agreed their employees' estimated pension benefits are lower than if GE had remained. They stated this is because the employees did not accrue many benefits under the prior contractor's pension plan. Boeing estimates, however, that, if it retains the contract, its employees' benefits could be increased substantially and be greater than GE's. (See pp. 21 to 28.)
Hanford retirees reviewed are not being unjustly treated on their pension benefits.

According to DOE, Hanford employees continue to accumulate pension benefits under the successor contractors' pension plans, and no employee has lost earned benefits as a result of the multiple contractor program. HAMTC strongly disagrees, claiming that DOE's policy of frequent contractor changes has perpetuated unjust treatment of many Hanford people in regard to their pension benefits. HAMTC cited examples of retirees who had worked a long time and retired on what HAMTC believes are inadequate pension benefits.

Our analysis of the most extreme example cited by HAMTC showed that the retiree's total retirement income from all sources, including social security benefits, was equivalent to what the President's Commission on Pension Policy reported in February 1981 as an acceptable income to maintain a preretirement standard of living. The retiree receives $747 a month, or about 60 percent of his preretirement income, and when his wife reaches age 65, they will receive $959, or about 77 percent of his preretirement income. These amounts compare favorably to the Presidential Commission's standards.

Our review of other selected examples showed that, in all cases, the retirees are receiving pension benefits higher than they would have had they remained with and retired under GE's pension plan. Also, the operating contractors believe the employees are receiving benefits which HAMTC had bargained for in the past.

We believe that selected Hanford retirees we reviewed are not being unjustly treated on their pension benefits. Nevertheless, in our opinion, the adequacy of the Hanford employees' pension benefits and any changes in the level of benefits are issues that HAMTC and the contractors must settle at the bargaining table. (See pp. 29 to 35.)

HAMTC's statement that Hanford employees' pension benefits are less than half of employees at DOE's Oak Ridge project is not accurate.

DOE has seven projects similar to Hanford located throughout the United States, including one at Oak Ridge, Tennessee. HAMTC stated that the Hanford employees' average retirement benefit is less than half of the average retirement received by Oak Ridge nuclear workers. HAMTC said this occurs because Oak Ridge is
operated by one contractor and Hanford is the only project using the multiple contractor program. HAMTC also said Richland City employees and the operating contractors' other employees receive higher pension benefits than Hanford employees.

We found that Hanford is not the only DOE project that has a multiple contractor program, and its employees do not receive pension benefits less than half of those of the Oak Ridge employees. Also, the contractors acknowledge that Richland City employees receive higher pensions, but they say this is because city employees are covered under the State's more generous pension plans. The contractors, however, stated that the Hanford employees' benefits are better than the benefits of their other employees.

The relevancy and significance of the comparisons of Hanford employees' pension benefits with the contractors' other employees and Richland City employees is subject to varying opinions. The relative superiority of the Richland City employees' benefits, however, is a fact agreed to by both sides.

A comparison of Hanford pensions with those at Oak Ridge showed that there is some disparity, but not as great as stated by HAMTC. HAMTC officials, however, dispute the results of the comparison because they said Oak Ridge employees' salaries are lower. An argument can be made, however, that higher salaries mean a different allocation of the total compensation and, therefore, smaller pensions are justified. (See pp. 36 to 42.)

HAMTC's statement that its proposed multiemployer pension plan could give more benefits for less money is not supported

Multiemployer pension plans are trust funds jointly administered by an equal number of labor-management representatives. HAMTC stated that the pension problems at Hanford could be resolved by adoption of a union-industry plan to replace all existing pension plans at Hanford. HAMTC has proposed such a plan, the "HAMTC Union-Industry Pension Fund" and said the plan could double the employees' pension benefits with the current contributions. For example, HAMTC stated an hourly contribution rate of $.50 per hour based on a 40-hour workweek will produce a benefit of $460 per month for an employee who retires at age 65 with 30 years of pension credit.

HAMTC officials, however, did not have an actuarial valuation or other support for the contribution/pension benefits relationship included in the proposed plan. Thus, our actuaries could not
evaluate the proposed plan and decide whether the contribution/benefits relationship has been soundly determined. However, the notion that considerably greater benefits can be achieved over a period of time with the same contributions violates the common sense actuarial rules of pension funding.

We recognize that multiemployer plans allow employees, who change employers frequently, to receive full credit for pension benefits provided their employment is with participating employers and the plans have provisions covering portability of service and reciprocity among the participating employers. However, creation of a multiemployer pension plan, in our opinion, no matter how prudently or soundly it is administered, does not automatically result in greater pension benefits and lower contributions.

The merits of whether Hanford employees should have a multi-employer plan and the level of benefits and contributions under the plan are issues that HAMTC and the contractors should settle at the bargaining table. (See pp. 43 to 47.)

AGENCY COMMENTS

At the request of your office, we did not obtain comments from DOE, its contractors, or HAMTC.

As agreed with your office, copies of the report are being sent today to DOE, HAMTC, and the five operating and other contractors mentioned prominently in the report. We plan no further distribution of this report for 30 days. At that time we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

Milton J. Houston
Acting Comptroller General of the United States
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ABBREVIATIONS

AEC  Atomic Energy Commission
DOE  Department of Energy
GAO  General Accounting Office
GE  The General Electric Company
HAMTC  Hanford Atomic Metal Trades Council
BACKGROUND AND OBJECTIVES, SCOPE, AND METHODOLOGY

The Department of Energy (DOE) has eight projects located throughout the United States that have research and production facilities and multiprogram and specialized laboratories participating in energy, environmental, and nuclear programs. One such project is the Hanford Project 1/ in Washington State.

Construction of the Hanford Project began in 1943 under the supervision of the Manhattan District of the U.S. Army's Corps of Engineers. The project began operations in September 1944. In 1946, the Congress created the Atomic Energy Commission (AEC), and it assumed responsibility for the project in 1947. In January 1975, AEC's production, research, and development activities and facilities, including the Hanford Project, were transferred to the former Energy Research and Development Administration. Upon beginning operations on October 1, 1977, DOE assumed responsibility for all of the Administration's activities and the Hanford Project.

The project occupies approximately 570 square miles in eastern Washington, near the city of Richland, and is a broadly diversified production and laboratory complex. DOE's Richland Operations Office is responsible for managing the project's facilities, which include (1) a dual-purpose nuclear reactor, capable of producing both plutonium and by-product steam, (2) major chemical separation and radioactive waste-handling and disposal facilities, (3) a plutonium processing plant, (4) multiprogram laboratories, (5) a nuclear fuel plant that produces fuel for the Government's domestic and defense needs, and (6) a 120-square-mile reserve for environmental and ecological studies.

Since its opening in 1944, private firms under Government contracts have operated the project. The E. I. du Pont de Nemours and Company was the first operator/manager at Hanford. It operated the project and all facilities from September 1944 until September 1946, when The General Electric Company (GE) became the contractor. As contractor, GE operated all of the facilities and provided support services for the project and municipal and protection services for Richland—the project's administrative and residential center.

Richland eventually became a self-sustained city, owned and operated by the Federal Government. In 1955, the Congress passed legislation that permitted the Government to sell its interest in the facilities to private individuals or to give municipal and school property to appropriate governing bodies. The city was incorporated under the State of Washington in December 1958, and it assumed responsibility for the municipal services formerly provided.

1/See page 37 for location of the other seven projects.
by GE under contract. However, GE continued to provide such services for the Government-owned property and facilities on the project.

GE was the contractor until the early 1960s, when it decided to leave Hanford and AEC adopted a multiple contractor program. AEC adopted the program to help reduce the impact on the community caused by a cutback in operations at Hanford. The Hanford operation had been almost completely a single purpose program, with plutonium production its first objective. To diversify this operation, AEC proposed to bring in several new contractors for Hanford and to encourage them to establish other industrial activity in the area.

Under the multiple contractor program, AEC contracted with several firms to operate the facilities and to provide support services at Hanford. By March 1, 1966, successor contractors had succeeded GE at all facilities, systems, and support services.

The former Energy Research and Development Administration and DOE have continued the multiple contractor program at Hanford. Since the program began, many firms have operated the production facilities and laboratories and provided services formerly operated or provided solely by GE. At August 1, 1980, DOE had contracts with eight private firms, employing about 10,300 workers at the project. Of the eight firms, five, classified by DOE as operating contractors, had collective bargaining agreements with various unions of the Hanford Atomic Metal Trades Council (HAMTC).

HAMTC was organized in June 1947 and currently includes representatives from 16 local and international unions. At August 1, 1980, HAMTC represented about 2,588 employees at Hanford. The five operating contractors, the facilities or services they operate or provide, and the employees represented by HAMTC are shown below.

1/ See appendix VIII.
<table>
<thead>
<tr>
<th>Contractor</th>
<th>Contract-operation activity</th>
<th>Date contractor began operations</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Battelle Pacific Northwest Laboratories</td>
<td>Pacific Northwest Laboratory</td>
<td>Jan. 1965</td>
<td>230</td>
</tr>
<tr>
<td>Boeing Computer Services, Richland (Subsidiary of the Boeing Company)</td>
<td>Electronic data processing</td>
<td>Oct. 1975</td>
<td>83</td>
</tr>
<tr>
<td>Rockwell Hanford Operations (Division of Rockwell International)</td>
<td>Nuclear materials production, chemical processing, waste management facilities, and support services</td>
<td>July 1977</td>
<td>1,340</td>
</tr>
<tr>
<td>United Nuclear Industries, Incorporated</td>
<td>Nuclear reactors and related fuel production facility</td>
<td>Nov. 1965</td>
<td>392</td>
</tr>
<tr>
<td>Westinghouse Hanford Company (Subsidiary of the Westinghouse Electric Company)</td>
<td>Hanford Engineering Development Laboratory</td>
<td>July 1970</td>
<td>543</td>
</tr>
</tbody>
</table>

Total employees: 2,588

HAMTC, DOE, AND THE CONTRACTORS DISAGREE ON THE ADEQUACY OF PENSION BENEFITS FOR HANFORD EMPLOYEES

One key issue in the negotiations of the collective bargaining agreements between HAMTC and the five operating contractors covers the employees' pension benefits. Over the past few years, HAMTC and the contractors—as well as DOE—have disagreed on the adequacy of pension benefits for Hanford employees and retirees.

In about May and June of 1979, the business manager for Local 280 of the International Union of Operating Engineers—a member of HAMTC—wrote to Senator Henry Jackson and former Senator Warren Magnuson. The business manager stated that the Hanford employees' pensions were inferior because DOE changed contractors three or
four times. As a result, employees had to start earning pension benefits again with the new DOE contractors. The Senators requested DOE to review the business manager's complaints.

On July 5, 1979, DOE's Director of Administration responded to former Senator Magnuson and stated DOE's policy is to provide continuity of work to its contractor employees, wherever possible, and to assure fair and equitable treatment for employees affected by contractor changeover. The Director said DOE has included specific language in its contracts to provide continuity of employee benefits. He said, however, it is also DOE's policy to allow the contractors and unions to resolve the adequacy of pension benefits during the collective bargaining process. The letter stated a similar response was provided to Senator Jackson.

HAMTC and the five operating contractors held negotiations on renewal of their collective bargaining agreement which was due to expire on March 31, 1980. The negotiations for the new contract continued into calendar year 1980; however, they failed to resolve the pension issue.

As a result, on June 10, 1980, the Director, Citizenship, Legislative Department, Oil, Chemical and Atomic Workers International Union—another member of HAMTC—wrote to Senator Jackson, former Senator Magnuson, and former Congressman Mike McCormack requesting help in resolving the pension issue. The Director attached a June 5, 1980, letter from the president of its Nucleonics Alliance Local Union No. 1-369 in Richland, which summarized the various pension problems and issues at Hanford as perceived by HAMTC. The president's letter again attributed the problems to DOE's multiple contractor program.

On July 14, 1980, Senator Jackson, former Senator Magnuson and former Congressman McCormack wrote to the Secretary of Energy and requested DOE to investigate the allegations made by the union including whether, as a result of numerous contractor changes at Hanford since 1947, the employees (1) had been given credit for past years of service for pension purposes and (2) total years of service are taken into account in computing their final pension benefits.

In an August 1, 1980, response, the Acting Secretary of Energy stated that, based on its investigation, DOE had concluded that all contractors at Hanford, who had succeeded GE since 1965, had protected employees' earned benefits and carried them forward without loss to the employees. Therefore, according to the Acting Secretary, the net effect has been that the contractors take the employees' total years of service into account in computing their final pension benefits, and no employee has lost earned benefits as a result of contractor changeovers. DOE also prepared several tables showing that Hanford employees' pension benefits under the
five operating contractors are generally comparable to, or greater than, those they would have received had they remained under GE's pension plan.

**GAO requested to review pension issues**

HAMTC officials reviewed DOE's letter and supporting tables and strongly disagreed with DOE's conclusions. In an August 6, 1980, letter to former Congressman McCormack, HAMTC stated that the study was

"** are so rampant with misconceptions, designed to mislead, that its only value is to show that the present Hanford contractors and the DOE will go to any lengths to cover up the injustices perpetuated on Hanford people in regards to pensions."

Finally, in a letter to the two Senators and the Congressman dated August 18, 1980, the President of HAMTC stated that DOE's figures

"** are so far from fact that it causes us to question the reliability of those DOE officials who threw it together. At this point, we hope that our congressional representatives demand an investigation performed by an impartial third party so that the truth of this matter maybe brought to light."

Consequently, by letter dated August 25, 1980, signed jointly by the Senators and the Congressman, we were requested to conduct an independent analysis of the Hanford operating contractors' pension plans to determine whether (1) each successive contractor at Hanford has given credit to employees for continuous service and (2) retiring employees are being given credit for all their years of service. The letter stated that resolution of the pension issue was one of the problems preventing a new labor agreement at Hanford.

HAMTC and the five operating contractors did agree to a new labor agreement on January 19, 1981, which was formally signed on March 6, 1981. But, the signing of the agreement did not completely resolve the pension benefits issue.

In fact, the agreement provided for a "Joint Study Committee" to review the pension issue. The committee will be composed of a representative from each of the five contractors and five members designated by HAMTC. A regional Federal Mediation and Conciliation Service Commissioner, appointed by the Regional Director of that agency, will chair the committee.
The committee is to study each contractor's pension plan to determine the feasibility of establishing a minimum pension for employees with 30 years of continuous pension credited service at Hanford and who attained normal retirement age on or after April 1, 1980. The agreement also provided that, to the extent that our expected report is material for the above purpose, the committee will consider the report in formulating its recommendations.

The committee hoped to complete its study in about 6 months. If HAMTC and the contractors cannot reach an agreement on the minimum pensions for employees, the agreement provides that HAMTC has the right to strike over the issue, after giving 30 days notice to the contractors.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objective was to review and analyze the following major issues relating to Hanford employees' pension benefits, which HAMTC representatives detailed in the June 10 and August 6, 1980, letters (and attachments) to the Senators and the Congressman and in later discussions with our representatives.

1. When GE was replaced in 1963-66, were its employees transferring to successor contractors given sufficient information on what to do with the refunds for their accumulated contributions in GE's pension plan?

2. Have the successor contractors at Hanford given employees and retirees credit, for vesting purposes, for all their years of service?

3. Are Hanford employees and retirees receiving less in pension benefits from the successor contractors than they would have received had GE remained as the contractor at Hanford?

4. Are certain retirees at Hanford, brought to our attention by HAMTC officials, being unjustly treated and not receiving pension benefits commensurate with the years of service they rendered?

5. How do pension benefits of Hanford employees compare with benefits for employees at other DOE projects, such as Oak Ridge, Tennessee?

6. Is the solution of the pension issue at Hanford a multi-employer pension plan, and will it provide more benefits for less money?
We made our review, for the most part, during the last quarter of 1980 and early 1981 at DOE's Richland Operations Office in Washington and its headquarters in Washington, D.C. At these locations we reviewed (1) the Richland Office's plan to protect pension benefits of former GE employees transferring to successor contractors, (2) AEC's and DOE's policies relating to recompetition of contracts at Hanford and other projects, and (3) AEC's and DOE's arrangements, 1/ incorporated in the AEC Manual in May 1974, to protect pension benefits for contractor employees who transfer to successor contractors.

We also made tests to determine the accuracy of the data and documents supporting DOE's conclusions that successive contractors at Hanford, since GE, have protected and carried forward pension benefits, without loss for Hanford employees. In addition, we interviewed key DOE headquarters and Richland officials in its industrial and labor relations and contract administration sections, and DOE's actuary.

In Richland we visited with representatives of and reviewed the pension plans and selected records of the five operating contractors that have collective bargaining agreements with HAMTC, namely (1) Battelle Pacific Northwest Laboratories, (2) Boeing Computer Services, Richland, (3) the Rockwell Hanford Operations, (4) United Nuclear Industries, Incorporated, and (5) the Westinghouse Hanford Company. In addition, we obtained data from the Westinghouse Hanford Company, and two other contractors, the Vitro Engineering Corporation and the Hanford Environmental Health Foundation, Incorporated, to ascertain whether the three companies gave vesting credit for pension purposes to former GE employees who transferred to them.

We also visited the HAMTC headquarters and interviewed key officials, including the president and one of the co-chairmen of HAMTC's Pension Committee. We also obtained and analyzed documents and data provided by HAMTC showing alleged injustices, in regard to pension benefits, against selected Hanford retirees.

In addition, we interviewed Mr. Clem J. Sheeran of Clem J. Sheeran & Associates, Management Consultants, in Richland, concerning his firm's study for HAMTC showing the estimated pensions retirees would be entitled to had GE remained at Hanford.

We also reviewed legislation—the Labor Management Relations Act of 1947 (the Taft-Hartley Act) and the Employee Retirement Income Security Act of 1974 and its amendments of 1980—applicable to multiemployer pension plans.

1/These arrangements are in Part VIII, Pensions and Retirement Plans, Appendix 1401, Contractor Insurance Programs, handbook of the AEC Manual. See appendix IX.
Further, we reviewed the final report issued by the President's Commission on Pension Policy in February 1981, \(^1\) which was established in 1978 to make a 2-year study of the Nation's retirement income policies. We used the Commission's replacement income goals needed by retirees to maintain their preretirement standard of living in analyzing and comparing the present retirement income of selected Hanford retirees. We did not attempt to verify the data.

For the most part, our work was based on a review and analysis of selected records, documents, and data supplied by DOE, its operating contractors at Hanford, and HAMTC. We did, however, review several operating contracts in detail to determine that successive contractors at Hanford, since GE, are giving employees and retirees credit for their past years of service, and DOE's pension arrangements protect the accrued pension benefits and vesting rights of employees transferring to successor contractors. We also made tests to determine the accuracy and reliability of the documents and data supplied to us. In addition, we used the expertise of our two principal actuaries to help in our review and analysis work.

We believe, therefore, that our review work was sufficient for us to present our independent analysis and to draw valid conclusions regarding the major issues affecting Hanford employees' and retirees' pension benefits.

\(^1\)See "Coming of Age: Toward A National Retirement Income Policy" by the President's Commission on Pension Policy, February 26, 1981.
APPENDIX II

AEC AND THE SUCCESSOR CONTRACTORS GAVE FORMER GE EMPLOYEES ADEQUATE INFORMATION ON WHAT TO DO WITH PENSION REFUNDS

When GE operated the Hanford Project, it had a defined benefit pension plan for its employees. 1/ Under the plan, employees became eligible to participate after completing 1 year of continuous service and agreeing to make contributions outlined in the plan. The employees' contribution rates varied from a percentage of their total compensation to a percentage of the employees' maximum salary subject to the Federal Insurance Contributions Act (26 U.S.C. 3101, et seq.) 2/ GE also made contributions to the plan.

The pension plan also required that employees either have 15 years of service or have 10 years of service and be at least age 45 to be fully vested in the plan. (These are commonly referred to as cliff year vesting schedules.) The plan did not provide for employees to partially vest, based on years of service, before meeting the 10- or 15-year cliff-vesting requirements.

Vesting refers to the nonforfeitable right of pension plan participants to receive plan benefits after meeting certain requirements, even if the participant's service with the plan sponsor or employer— in this case GE— terminates before actual retirement. If the employees left GE before retirement or before the employees' pension rights became vested, they were entitled to have all of their contributions, plus interest, returned.

When AEC adopted the multiple contractor program at Hanford in the early 1960s, its Richland Operations Office developed a plan to protect the pension benefits of GE's employees. Under the plan, AEC permitted the successor contractors to have their own pension plans as long as they gave vesting credit to employees for their years of service at GE. The plan was designed to protect employees who had vested and those who had not vested in GE's pension plan. The fully vested employees were entitled to receive a pension benefit from GE at retirement and to have their GE years of service count toward vesting under the successor contractor's pension plan, provided they did not request a refund of their contributions and interest from GE.

1/A defined benefit pension plan provides definitely determinable benefits based on such factors as years of employment and compensation received.

2/The contributions under this act are used to finance the Federal Government's Old-Age, Survivors and Disability Insurance Program—The Social Security Program. See page 31.
To protect nonvested employees, the Richland Office established the A.E.C. Group Annuity Plan, through a private insurance company. The Richland Office purchased annuities in the plan for nonvested employees with (1) refunds the employees received from GE for the moneys they contributed to the company's pension plan and (2) the moneys GE contributed for the employees. Also, the employees joining the annuity plan had their years of service at GE credited for vesting in the successor contractors' pension plans. However, nonvested employees who retained their refunds from GE were not allowed to apply their years of service at GE for vesting in the successor contractors' pension plans. They had to start over in accumulating time for vesting in the plans.

HAMTC'S POSITION

In the June 5, 1980, letter, HAMTC representatives acknowledged that, when GE left Hanford, AEC purchased annuities for those employees who had vested rights in GE's pension plan. The letter stated that some employees, however, received nothing at all while others had such a low level of vesting they cashed out in one lump sum.

When we talked to HAMTC officials in October 1980, they also stated that former GE employees were not given adequate information on the consequences of not joining the A.E.C. Group Annuity Plan or on withdrawing from the plan. The co-chairman of HAMTC's Pension Committee told us that, when he discussed this issue with rank and file union members, the members said they received no information on the consequences of withdrawing their contributions from the plan.

On the other hand, the attorney who represents HAMTC told us that the employees were given too much information and were confused about the withdrawal issue. He stated that the employees could have drawn a wrong conclusion and, therefore, might have lost pension benefits when withdrawing their contributions.

GAO ANALYSIS

Our review showed that DOE's Richland Operations Office and the contractors did an adequate job in informing the former GE employees about the benefits of joining, and the consequences of not joining, the A.E.C. Group Annuity Plan--or withdrawing from the plan. Moreover, data DOE provided to us showed that most eligible former nonvested GE employees joined the A.E.C. Group Annuity Plan.
AEC's and contractors' efforts adequate in urging former GE employees to join the A.E.C. Group Annuity Plan

One of the first contractors to replace GE was the Battelle Memorial Institute, which took over the Pacific Northwest Laboratory in January 1965. By letter dated January 14, 1965, the Richland Office's manager advised Battelle that AEC was working on a group annuity plan to protect the accrued service in GE's pension plan of nonvested employees transferring to Battelle. The manager's letter said that, on or about January 20, 1965, GE would furnish Battelle the refund checks covering the employees' contributions. The manager's letter also said it was important that the employees be advised at once of AEC's plan.

Accordingly, the Richland Office urged Battelle to inform the employees in every reasonable means at its disposal the substance of AEC's plan and, in particular, the following:

-- AEC has requested proposals from insurance carriers under which GE transferees to Battelle will receive substantially the equivalent of the pension benefits which they would have been entitled to under the GE pension plan for their service before January 4, 1965.

-- Employees eligible to participate in the group annuity plan will be those former GE employees who had earned nonvested pension credits under the GE pension plan, who were regularly in the employ on January 3, 1965, and who transfer to Battelle.

-- Employees desiring to enroll in the proposed group annuity plan must immediately deposit their GE pension plan refund checks in a special bank account Battelle will establish.

-- Employees will acquire vested rights to the annuities when the combination of GE and Battelle service meet the vesting requirements of the GE plan.

-- Employees at time of vesting will be guaranteed annuities at age 60 equivalent to the pension benefits payable at age 60 under GE's plan.

-- Employees who terminate employment before vesting in the annuity can complete the vesting requirements by working with a successor contractor or receive a refund of their contributions plus accumulated interest.

The manager concluded that AEC believes that the GE employees should be told (1) to give the utmost consideration to transferring their refunds to the proposed group annuity plan, (2) that,
APPENDIX II

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If they do not transfer their benefits, they will lose the 120 hours of accrued vacation time and (3) that if they do not participate in the GE retirement plan, they will lose any vested or non-vested accumulative contributions under Battelle's retirement plan, and the consequences of the Battelle retirement plan.

We discussed this letter which 110th the same with representatives of the three parent companies and two other contractors, related to the GE retirement plan. After discussion, the Battelle representative had the GE retirement plan, and the consequences of the Battelle retirement plan.

The Battelle representative then sent a letter dated January 15, 1965, which he said was intended to transfer the vested employee's benefit to the Battelle representative's current retirement plan. The letter was addressed to the employees to deposit their accumulated retirement contributions to Battelle's retirement plan, and it advised the employees that, if they:

1. Transfer their benefits under the Battelle plan.
2. You will lose your existing benefits under the Battelle retirement plan.

The Battelle representative also gave as a copy of a letter dated January 29, 1965, which he said was intended to transfer the contribution refunds to its non-vested employees. The Battelle representative's letter called the employee's attention to GE's group annuity plan and urged that the employee have this matter considered carefully and, take action since *** your existing provisions under the Battelle Pension Plan can be substantially affected by the reduction.

The United Nuclear representative also gave as a sample letter that he said his company sent to all employees transferring to GE. United Nuclear's letter, dated October 20, 1965, stated that:

- GE advised that certain employees transferring to United Nuclear are planning action which will cause the loss of significant pension benefits.
- To reduce any possible misunderstanding, the letter directed the employees' attention to the following.
"IF AN EMPLOYEE WHO IS VESTED UNDER THE GENERAL ELECTRIC PLAN WITHDRAWS HIS CONTRIBUTIONS AND INTEREST FROM THAT PLAN EITHER PRIOR TO OR SUBSEQUENT TO BECOMING A DOUGLAS UNITED NUCLEAR 1/ EMPLOYEE, HIS SERVICE WITH DUN FOR PENSION PURPOSES WILL COMMENCE ON NOVEMBER 1, 1965."

The letter concluded by stating that

"We realize that this is a matter each employee must decide for himself. However, we urge you to give serious thought to the consequences involved before taking an action which would cost you valuable service credits."

United Nuclear's employee pension plan also described the loss of pension credits and benefits for employees not joining the A.E.C. group plan or those who withdrew their contributions. The contractor's representative told us each employee represented by HAMTC received a copy of the pension plan.

The United Nuclear representative also stated that, when employees obtained refunds, they were again reminded of the consequences on GE's form "RECEIPT FOR REFUND OF CONTRIBUTIONS AFTER VESTING, General Electric Pension Plan." The representative gave us copies of several receipts, which the former GE employees had signed, and on which the following notice appeared.

"I have requested and received refund of the aggregate amount of contributions ($____) made by me to the General Electric Pension Trust, plus interest thereon.

"I am fully aware that as of __________, 19__, my right to receive a pension from the General Electric Pension Trust vested, and that by obtaining the refund I am hereby forfeiting my right to all benefits provided by the General Electric Pension Plan."

In addition, GE, in one of its Management News Bulletins dated October 19, 1965, stated that such a large number of employees transferring to United Nuclear had requested refunds as to suggest some misunderstanding about the consequences of such actions. The bulletin reiterated that employees who choose to withdraw their contributions not only will lose whatever pension they would be entitled to based on their years of GE service, but also will have to be treated as new employees as far as vesting for a United

1/Former name of the United Nuclear Industries, Incorporated.
Nuclear pension is concerned. To assure no misunderstanding, the bulletin urged supervisors to advise employees of these consequences.

Most nonvested GE employees joined the A.E.C. Group Annuity Plan

AEC set up the A.E.C. Group Annuity Plan with a private insurance company--The Travelers Life Insurance Company--and most former GE nonvested employees participated in the plan.

DOE officials stated that about 7,250 GE employees transferred to the successor contractors during the 1963-66 multiple contractor transition period. Of these, 2,600 had not vested in the GE pension plan, and 2,100 had received refunds from GE. The other 500 employees did not receive refunds because they either (1) had not elected to participate in GE's pension plan or (2) had not completed the 1-year eligibility requirement to join the plan.

DOE officials stated that 1,656 nonvested GE employees gave their refunds to AEC or the contractors and agreed to participate in the A.E.C. Group Annuity Plan. Thus, almost 80 percent of the nonvested employees had deferred annuities purchased for them. The 1,656 employees also had their years of service at GE count toward vesting in the successor contractors' pension plans.

The other 444 employees retained their refunds, and as a result, lost their years of service at GE for vesting purposes, eligibility to vest in the GE pension plan, and had to start as new employees in the successor contractors' pension plans.

Apparently, some of the 1,656 GE employees later withdrew their contributions before acquiring vested rights in their annuities. We were unable to obtain data on how many employees withdrew their contributions. However, DOE was able to provide us this data on employees at one contractor, the Computer Sciences Corporation.

About 143 former GE employees transferred to the Computer Sciences Corporation when the firm replaced GE on July 1, 1965, in providing electronic data processing services at Hanford. 1/ Of the 143 employees, 31 were fully vested and 112 were not vested in GE's pension plan. Of the 112 nonvested employees, 74 had met the eligibility requirements and received refunds from GE.

DOE officials stated that 59 (or about 80 percent) of the employees initially participated in the A.E.C. Group Annuity Plan. The officials said that 14 employees later withdrew the refunds.

1/The Boeing Computer Services, Richland, replaced the Computer Sciences Corporation in 1975.
before they acquired vesting rights to the annuities. This left 45 employees (or almost 60 percent) who continued to participate in the fund. The 14 who withdrew their contributions lost all prior credited service for vesting purposes and eligibility to vest in the GE pension plan.

CONCLUSIONS

In our opinion, AEC, GE, and the successor contractors did an adequate job of informing the former GE employees about the benefits of joining the A.E.C. Group Annuity Plan, and the consequences of not participating or withdrawing their contributions. The sample letters sent to the former GE employees indicated that the obligation to educate the employees about their pension rights, benefits, and options was reasonably met.

We recognize that not every employee may have understood the advantages and disadvantages of joining the A.E.C. Group Annuity Plan. However, DOE's data show a great majority of the former GE employees understood the advantages and joined. Some employees did not join or later withdrew from the plan. As a consequence, these employees lost their pension benefits and credited service. In our view, however, these were decisions made by the employees after adequate notice of the consequences of such actions.
SUCCESSOR CONTRACTORS ARE GIVING HANFORD EMPLOYEES VESTING CREDIT FOR YEARS OF SERVICE

During the period AEC was changing to multiple contractors at Hanford, the Richland Operations Office required that all contracts include arrangements, similar to the A.E.C. Group Annuity Plan, to protect employees' pension benefits. In May 1974, AEC expanded the pension arrangements developed at Hanford and published them in its manual as part of its general policy for cost-type operating contractors. DOE has continued the arrangements. DOE's pension arrangements for operating contractors are included in appendix IX and summarized below.

AEC established the pension arrangements to accomplish the following objectives:

--To plan where feasible that contractor employees do not lose or forfeit accrued pension benefits solely on account of a change in contractors.

--To assure that the pension cost to the Government for contractor employees approximates actual cost to the contractor for the period of the contract.

--To protect the financial interests of the Government, contractor employees, and the contractor in the event of termination of the project.

AEC's manual states that the preferred arrangement is that the (1) operating contractor establish a separate pension fund for its employees at the AEC facility and (2) pension plan be transferred to and continued by a successor contractor. Where it is not possible to make such arrangements, the operating contractor must account separately for pension costs incurred at the facility and, in the event the contractor is replaced, it will assist in preserving the employees' opportunities to attain vested rights through continuity of service with the successor contractor.

The manual also requires that, when the prior operating contractor's pension plan cannot be continued, the successor contractor must provide, among other things, that:

(1) Employees' years of service with the prior contractor count as service toward meeting the participation and vesting requirements of its pension plan.

(2) When employees' combined years of service meet the vesting requirements of the prior contractor's pension plan, or at retirement, the employees will receive annuities in amounts equal to the benefits earned under the plan.

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(3) Nonvested employees receive refunds of any contributions and earnings made to the prior contractor's pension plan.

(4) Nonvested employees be encouraged to make their refunds available to AEC or the contractor for the purchase of deferred annuities.

(5) Employees who do not make their contributions available forfeit (a) the contributions made in their behalf by the prior contractor and (b) any credit for service with the prior contractor toward participation and vesting under the successor contractor's pension plan.

HAMTC'S POSITION

In the June 5, 1980, letter, HAMTC representatives stated that the contractors who succeeded GE were supposedly obligated to provide the same level of pension benefits as their predecessors, but benefits varied among the contractors because they adapted the existing pension plans to their corporate plans. This, the letter acknowledged, was usually as a result of HAMTC's negotiations with the individual contractors. According to HAMTC representatives, the net effect of the changeover to the successor contractors' pension plans has been to totally discount the employees' past service credits in calculating pension benefits.

Also in the August 6, 1980, letter, HAMTC officials strongly disagreed with DOE's assessment that it successfully assured that Hanford employees' total years of service are counted by the successor contractors in computing the employees' pension benefits. The officials stated that DOE has failed to preserve and protect the continuity of Hanford employees' pension benefits.

GAO ANALYSIS

We found that successor contractors are giving Hanford employees credit, for vesting purposes, for past and current service and that DOE's pension arrangements appear to protect the accrued benefits and vesting rights of employees transferring to successor contractors.

As discussed in our analysis of issue 1, beginning on page 14, during the initial transition period under the multiple contractor program, most former nonvested GE employees agreed to participate in the A.E.C. Group Annuity Plan. Thus, they received credit for their GE service for vesting in the successor contractors' pension plans. To determine whether the contractors continued to give employees credit for pension vesting, we reviewed the activities of three contractors that had replaced GE or a successor contractor.
One contractor, the Vitro Engineering Corporation, replaced GE in 1963 in providing architect and engineering services at Hanford. The second contractor, the Hanford Environmental Health Foundation, took over industrial medicine and hygiene responsibility from GE in 1965. The third, the Westinghouse Hanford Company, replaced the Battelle Memorial Institute as operator of the Hanford Engineering Development Laboratory in 1970. Battelle had previously replaced GE in 1965.

At the time of our review, the Vitro Engineering Corporation and the Hanford Environmental Health Foundation had 323 and 94 employees, respectively. The Westinghouse Hanford Company had 2,940 employees and HAMTC represented 525 of these employees. To determine whether the contractors gave employees vesting credit for past service we reviewed the contractors' personnel records and other documents for all of the Vitro and Hanford Foundation employees, and the 525 Westinghouse employees represented by HAMTC, a total of 942 employees.

**Successor contractors are giving employees vesting credit for years of service at prior contractors**

Our review showed that, of the 942 employees, 232 were transferees from GE and Battelle. Further analysis showed that 108 of these employees had retired, died, or left the contractors' employment. The other 124 employees were still employed by the contractors at the time of our review.

We found the three contractors had given the employees credit for vesting for pension benefits for work with them and the prior contractors. As a result, about 97 percent of the 124 active employees were fully vested, as shown by the following schedule.
As the schedule shows, 121 active employees had fully vested in the three contractors' pension plans, and three employees at the Westinghouse Hanford Company had not vested. The Westinghouse pension plan provides that an employee starts accruing vesting after 3 years of service, is credited with 10 percent in his 4th year, and is fully vested after 10 years of service. Of the three Westinghouse employees, one had over 9 years, and two had over 8 years of service. Thus, all three were over 80-percent vested at the time of our review.

We also reviewed the status of the 108 employees no longer on the active rolls and found 67 had retired on full pensions. The others had quit on deferred pensions, were on disability, or had died, and one was on a leave of absence.

<table>
<thead>
<tr>
<th></th>
<th>Westinghouse Hanford Company</th>
<th>Vitro Engineering Corporation</th>
<th>Hanford Environmental Health Foundation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of employees</td>
<td>525</td>
<td>323</td>
<td>94</td>
<td>942</td>
</tr>
<tr>
<td>Employees who transferred to replacement contractor</td>
<td>176</td>
<td>26</td>
<td>30</td>
<td>232</td>
</tr>
<tr>
<td>Retirees, deceased, and other separations</td>
<td>76</td>
<td>13</td>
<td>19</td>
<td>108</td>
</tr>
<tr>
<td>Active employees at the time of our review</td>
<td>100</td>
<td>13</td>
<td>11</td>
<td>124</td>
</tr>
<tr>
<td>Vesting status of active employees:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fully vested</td>
<td>97</td>
<td>13</td>
<td>11</td>
<td>121</td>
</tr>
<tr>
<td>Not vested</td>
<td>3</td>
<td>N/A</td>
<td>N/A</td>
<td>3</td>
</tr>
</tbody>
</table>

We also reviewed the status of the 108 employees no longer on the active rolls and found 67 had retired on full pensions. The others had quit on deferred pensions, were on disability, or had died, and one was on a leave of absence.
Our further analysis of the 67 who retired on full pensions showed that all had been given credit for combined service with the prior and successor contractors. This meant, for example, in the case of VITRO, that they received pension benefits based on the annuity purchased for them with the accumulated contributions in GE's plan and a pension from VITRO for years of service before retirement.

We also noted that, when AEC awarded the Westinghouse Hanford Company contract in 1970, the Company agreed to acquire the assets and liabilities of Battelle's pension plan covering the employees who transferred to Westinghouse. Thus, Westinghouse adopted the most preferred of DOE's pension arrangements--the takeover of the prior contractor's pension plan.

In addition, Westinghouse established a separate pension plan for employees working on the Hanford contract. The plan included a provision to give the employees credit for continuous service in determining vested rights. And, as our review showed, former Battelle employees who transferred to Westinghouse received vesting credit for the time they worked at Battelle.

CONCLUSIONS

Most former nonvested GE employees agreed to participate in the A.E.C. Group Annuity Plan and received credit for years of service at GE for vesting in the GE and the successor contractors' pension plans. Some former nonvested employees elected to retain their contribution refunds or later withdrew them from the A.E.C. Group Annuity Plan. These employees lost their GE service time for vesting purposes. These actions were at the individual employees' options. Thus, in our view, there was no unfair loss of credited service for vesting as a result of the initial transition from GE to the successor contractors at the Hanford Project.

AEC and DOE continued to provide for the continuity and portability of accrued pension benefits and vesting credits when contractors were replaced at Hanford and other projects. On the basis of our review, we believe that the pension arrangements have been successfully applied to operating contracts at Hanford and that Hanford employees are being credited for past service by the successor contractors.
SUCCESSOR CONTRACTORS' PENSION BENEFITS

COMPARABLE TO BENEFITS GE WOULD HAVE PROVIDED

In the June 5, 1980, letter, HAMTC representatives also said that, during DOE's changeover to corporate pension programs at Hanford, the employees' total service was credited toward vesting rights, but was not allowed in computing the employees' final pensions. This, HAMTC stated, has the net effect of cutting long-time Hanford employees' benefits in half.

DOE disagrees. The Acting Secretary of Energy in his August 1, 1980, letter indicated that the pension benefits the employees will receive, under the successor contractors, generally are equal to or greater than the benefits GE would have provided. As support for its position, DOE's reply included the following three tables:

Table 1--Comparison of Hanford Contractors' Pensions to GE's Pensions for Bargaining Unit Employees.

Table 2--Distribution of Former GE and Current Bargaining Unit Employees at Hanford Project.

Table 3--Comparison of Hanford Contractors' Prospective Pensions to GE's Prospective Pensions Based on Current Benefit Rates for Bargaining Unit Employees.

We have included the three tables as appendixes X, XI, and XII. DOE's letter also included a summary of the retirement, vesting, and past service credit provisions in the five operating contractors' pension plans. (See app. XIII.)

To make its comparisons, DOE used five worker classifications which it said were common in four of the five contractors' operations. Tables 1 and 3 compare estimated monthly pension benefits for GE with four contractors--Rockwell Hanford Operations, Westinghouse Hanford Company, United Nuclear Industries, and Battelle Pacific Northwest Laboratories--for employees working as (1) power operator journeymen, (2) instrument specialists, (3) pipefitter journeymen, (4) radiation monitor journeymen, and (5) janitors.

DOE said a similar comparison was not possible for the fifth contractor--Boeing Computer Services. Because of this, DOE's two tables compare estimated GE benefits with Boeing for three other classifications, (1) keypunch operators, (2) control clerks, and (3) lead computer operators.

According to table 2, HAMTC represented 2,588 employees at the five contractors, of which 590 were former GE employees. Of the 590 employees, DOE said 179 (or about 30 percent) worked in the eight classifications used in the comparisons.
Table 1's comparison is based on the assumption that GE employed the individuals in January 1947 and they would have retired on April 1, 1980, at age 65 with 32-1/4 years of pension credited service. Table 1 shows that employees at three contractors—Rockwell, Westinghouse, and Battelle—would receive higher estimated monthly pension benefits—ranging from $14 to $129—than under GE's pension plan. For United Nuclear, the monthly benefits were from $1 to $66 less than under GE's plan, and for Boeing, the employees' benefits were between $133 and $163 behind the GE benefits.

Table 3's comparison is based on the assumptions that the individual employees were new employees as of January 1, 1980, their salaries over the next 30 years would remain the same as that of calendar year 1979, and they would retire after 30 years of service. As in Table 1, estimated monthly pension benefits for Rockwell, Westinghouse, and Battelle were greater than GE's. Those of United Nuclear were mostly lower. However, for Boeing the employees would receive an estimated $129 to $157 more than under GE's pension plan.

HAMTC'S POSITION

In the August 6, 1980, letter, HAMTC officials strongly disagreed with DOE's study and conclusions. When we discussed DOE's study with the president of HAMTC and other officials, they disagreed with Tables 1 and 3, but they were particularly concerned over Table 1. In summary, HAMTC officials:

1. Questioned the estimated pension benefits shown in Table 1 and believed that the amounts are not accurate.

2. Disagreed with DOE's approach of including, in both Tables 1 and 3, the increases in pension benefits the five operating contractors had offered Hanford employees in negotiations with HAMTC for renewal of the contract that had expired on March 31, 1980. They stated that, since HAMTC had not agreed to this proposal, DOE should not have included the benefits in its calculations, and that including them has a favorable effect on the estimated benefits shown for the five contractors.

3. Disputed the estimated monthly benefits in Table 1, which range from $320 for a keypunch operator and a control clerk to $476 for an instrument specialist, employees would have received had GE stayed at Hanford. The officials stated these amounts are understated and, in effect, inaccurate. They said that, had GE remained at Hanford, an employee, such as a journeyman/craftsman, would have earned a pension of about $700 a month.
4. Expressed concern about what they consider the meager pension benefits for Boeing Computer Services' employees. The officials stated that Table 1 shows the latest injustices perpetuated by contractor changes, and that the Boeing figures were so bad that the other contractors separated them on the table.

GAO ANALYSIS

Our review disclosed that the estimated monthly benefits on Table 1 are accurate, and they do, as HAMTC stated, include the proposed increases offered by the contractors. However, HAMTC accepted the increases in the collective bargaining agreement it signed with the contractors after we completed our fieldwork.

Also, we could not verify HAMTC's claim that Hanford employees would receive a $700 monthly pension had GE remained because the consulting firm that developed the figure lacked documentary support. Although the estimated pension benefits for Boeing Computer Services in Table 1 are lower than GE's, Boeing estimates that, if it retains the contract, its employees' future pension benefits could be increased substantially and be greater than GE's.

Tests show DOE's Table 1 is accurate

DOE officials told us that the five operating contractors prepared Table 1 based on data obtained from their own records and from GE. They said the table compares a sample of hypothetical Hanford employees in the eight classifications, who were assumed to have started working for GE in January 1947 and retired April 1, 1980, at age 65. However, DOE and contractors stated that the estimated benefits are based on actual salaries paid the various classifications and the benefit formulas in the contractors' and GE's pension plans.

DOE officials also told us that its actuary (1) reviewed the contractors' supporting data for the table--i.e., the worksheets, plan provisions, etc., (2) traced some of the data to the contractors' records, and (3) verified the accuracy of the calculations used to prepare many of the figures shown on the table. DOE officials and the actuary told us they were satisfied with the accuracy and reasonableness of the data presented on Table 1.

We made our own spot checks of the data to test the accuracy of the table. We reviewed the worksheets and other documents supporting the estimated pension benefits for three contractors--Battelle, United Nuclear, and Rockwell--and five worker classifications--power operator journeymen, instrument specialists, pipefitter journeymen, radiation monitor journeymen, and janitors. For each of the classifications, we verified the formula used to compute the estimated benefits to the formula
in the contractors' pension plans, spot checked the contractors' calculations on the worksheets, and compared the benefits on the worksheets against Table 1.

We found no errors.

We also reviewed the worksheets and other documents used to compute GE's estimated benefits. We verified the formula used to compute the benefits to the formula in GE's pension plan. We spot checked the calculations and compared pension amounts shown on the worksheets against Table 1. Again, we found no errors.

As a further test, we reviewed data HAMTC gave us on the pension benefits 20 selected retirees are receiving. Some of the retirees worked in the classifications listed on Table 1. Our selected examples showed that the estimated benefits shown on Table 1 were consistent with the selected retirees' actual benefits. 1/

On the basis of our tests, we believe that the contractors' calculations on Table 1 showing Hanford retirees' estimated monthly benefits under their and GE's pension plans are accurate.

DOE's tables include increases in pension benefits offered by contractors

The estimated monthly benefits on Tables 1 and 3 do include increases the contractors offered in their negotiations with HAMTC on renewal of the contract that expired on March 31, 1980. Also, including the proposed increases had a favorable effect on the contractors' estimated benefits.

To test their effect on Table 1, we reviewed the proposed increases offered by the Westinghouse Hanford Company. Our analysis showed, for example, that Westinghouse raised the monthly benefits for a pipefitter journeyman by $156 a month. The schedule below shows the pipefitter journeyman's estimated benefits under GE's pension plan, and under Westinghouse's plan, with and without the $156 increase.

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1/See page 29 for a further discussion on the 20 cases.
APPENDIX IV

<table>
<thead>
<tr>
<th>Contractors</th>
<th>Estimated monthly benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Westinghouse Hanford (with proposed increase)</td>
<td>$535</td>
</tr>
<tr>
<td>GE</td>
<td>$452</td>
</tr>
<tr>
<td>Westinghouse Hanford (without proposed increase)</td>
<td>$379</td>
</tr>
</tbody>
</table>

As the schedule shows, a pipefitter journeyman would receive $535 with the proposed increase, or $83 more than GE. However, without the increase the journeyman would receive $379 per month, or $73 less than GE.

Table 1 compared Westinghouse's and GE's benefits for four other worker classifications. Our analysis showed that including Westinghouse's proposed increases resulted in higher benefits than GE's for the four classifications.

We noted, however, that the monthly pension benefits for GE on Tables 1 and 3 include all improvements in benefits made by GE through January 1, 1980. We believe, therefore, it was not unreasonable for DOE to include the operating contractors' proposed increases.

Moreover, after we completed our fieldwork at Hanford, we noted that HAMTC and the five operating contractors had signed a new labor agreement and that HAMTC had accepted the increases in pension benefits offered during the negotiations.

GAO unable to verify accuracy of claim that retirees would receive a $700 monthly pension had GE remained at Hanford

HAMTC's claim that Hanford retirees would be entitled to a $700 monthly pension under GE's plan was based on a study made by its consultant, Mr. Clem J. Sheeran. Mr. Sheeran is associated with Clem J. Sheeran & Associates, a management consulting firm specializing in labor law located in Richland, Washington. In late 1979, HAMTC requested Mr. Sheeran's firm to study the working man's status in the Richland area and develop data on the workers' wages and pensions had GE remained at Hanford.

By letter dated November 4, 1979, Mr. Sheeran summarized the results of his firm's study and commented on the pension benefits had GE remained. According to Mr. Sheeran's letter, since 1967, GE had improved its pension benefits by increases of 10, 10, 12, 10, and 7 percent, respectively, for a total of 49 percent. However, the letter states that the last two increases (10 and 7
percent) were the only increases given to certain groups of Hanford employees. Mr. Sheeran states that GE denied the Hanford workers the earlier 32-percent increases on the premise that they had not retired directly from the company or, in other words, had not reached optional age of retirement when GE left Hanford.

Mr. Sheeran's letter concluded that, on the assumption that GE had not left Hanford and that employees had been able to continue on the GE rolls for 30 years until November 1979, he could hypothesize as follows:

"** It is a fairly accurate estimate that during his thirty years of GE service he would have contributed into the pension plan about $9538. The employee contributions into the pension plan throughout the years was gradually reduced from about 5% to about 2% and to the best of my knowledge continues to be at that level **.

"** Therefore, bearing in mind that there are probably many exceptions, a man with thirty years of General Electric service would have enjoyed the 49% increase in pension benefits **.

"** A Journeyman Craftsman, for example, were he able to acquire thirty years of GE service and retire from the company, would today have earned a GE pension (in view of the above-stated increases) of slightly over $700 per month **.

We met with Mr. Sheeran at his residence in Richland, Washington, to review the basis for his study and conclusions. We told Mr. Sheeran that his $700 a month pension figure greatly exceeded the $320 to $476 per month figure for GE the operating contractors computed and DOE reported on Table 1. We asked Mr. Sheeran to show us the calculations and documents supporting his study and $700 figure.

Mr. Sheeran told us that he did not have any documents to support his calculations and the monthly benefit projection. He told us that the $700 is an estimate based on increases in pension benefits—totaling about 49 percent—GE has given, since 1967, to its retirees.

In the absence of supporting working papers and documents, we could not verify the accuracy of Mr. Sheeran's comments, estimates, and projections. However, we noted that Mr. Sheeran based the $700 a month pension, in part, on the 49-percent increases GE granted to its retirees since 1967. It should be pointed out, however, that normally increases given to retirees are not granted or applied to accrued pension benefits for active employees. Thus,
DOE and the operating contractors have not included the 49-percent increase in calculating the estimated monthly GE pension benefits on Table 1.

**Pension benefits offered by Boeing Computer Services**

Table 1 shows that the monthly pension benefits estimated for GE for the three worker classifications would be considerably higher than the benefits for Boeing Computer Services. The differences are as follows:

<table>
<thead>
<tr>
<th>Contractors</th>
<th>Keypunch operator</th>
<th>Control clerk</th>
<th>Lead computer operator</th>
</tr>
</thead>
<tbody>
<tr>
<td>GE</td>
<td>$320</td>
<td>$320</td>
<td>$432</td>
</tr>
<tr>
<td>Boeing Computer Services</td>
<td>175</td>
<td>187</td>
<td>269</td>
</tr>
<tr>
<td>GE estimated pension</td>
<td>$145</td>
<td>$133</td>
<td>$163</td>
</tr>
<tr>
<td>greater by</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We asked Boeing Computer Services' officials to explain their lower pension benefits. The officials told us that Boeing replaced the Computer Sciences Corporation in 1975, and that from 1966 to 1975, the corporation's employees were covered under a regular company-wide pension plan. According to Boeing officials, the corporation had a modest plan, and the employees did not accrue many benefits under the plan. Thus, they stated these Boeing employees are penalized by the prior contractor's low benefits.

The Boeing officials stated, however, that the problem affected relatively few people. They said that there are only 12 former GE employees still working for Boeing.

We believe that the number of people affected does not mitigate the problem of employees retiring with inadequate retirement income. On the other hand, we cannot dispute the Boeing officials' opinion that the employees may have been penalized due to the apparent low benefits of the prior contractor.

Also, we recognize that the problem of a lower accrual and pension benefit rate is one of the risks when contractors change. However, it is also possible for an employer who retains the contract to raise future accruals in a pension plan and increase the benefits. The figures on Table 3 show that Boeing expects this to occur if it retains the contract. A comparison of Boeing's and GE's estimated pensions are as follows.
## Estimated monthly pension benefits (note a)

<table>
<thead>
<tr>
<th>Contractors</th>
<th>Keypunch operator</th>
<th>Control clerk</th>
<th>Lead computer operator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing Computer Services</td>
<td>$689</td>
<td>$748</td>
<td>$960</td>
</tr>
<tr>
<td>GE</td>
<td>532</td>
<td>598</td>
<td>831</td>
</tr>
</tbody>
</table>

**Boeing estimated pension greater by**

- $157
- $150
- $129

a/These are based on assumptions that (a) these are new employees as of January 1, 1980, (b) their salaries over the next 30 years remain the same as that of calendar year 1979, and (c) they retire at normal retirement age with 30 years of total service.

Thus, the table shows that, for all three worker classifications, Boeing estimates that its employees could receive a higher pension under its plan than from GE.
HANFORD RETIREES REVIEWED ARE NOT BEING UNJUSTLY TREATED ON THEIR PENSION BENEFITS

The Acting Secretary of Energy, in his August 1, 1980, letter, stated that Hanford employees continue to accumulate pension benefits under the successor contractors' pension plans, and no employee has lost earned pension benefits as a result of the multiple contractor program. In its August 6, 1980, letter, HAMTC strongly disagreed with the Acting Secretary's conclusion and stated that DOE's policy of frequent contractor changes had perpetuated injustices regarding the pensions many Hanford employees receive.

HAMTC'S POSITION

When we talked to HAMTC officials, they reiterated that many Hanford employees had been unjustly treated and that their pension benefits are inadequate because employees lost benefits when GE left Hanford. The officials gave us a list of 20 retirees they believe illustrate the unjust treatment and low pension benefits employees receive after many years at Hanford. The officials also stated that these retirees would be receiving higher benefits under GE's pension plan.

Of the 20 retirees, 13 had last worked at United Nuclear Industries, 5 at Battelle Pacific Northwest Laboratories, and 2 at Westinghouse Hanford Company. The retirees had worked in various positions, including nuclear reactor operator, industrial technician, instrument specialist, electrician, truck driver, plumber/steamfitter, and janitor. The retirees, along with their beginning and ending service dates, years of service, and monthly pension benefits from their last employer, are shown on the following page.
HAMTC officials cited the first three retirees as excellent illustrations of where employees had worked a long time and retired with low pension benefits. The officials cited retiree A's case as being the most extreme case of inadequate pension benefits and unjust treatment.

**GAO ANALYSIS**

We reviewed the pension benefits of the three retirees cited by HAMTC, and our analysis of the most extreme example—retiree A—showed that his retirement income, from all sources, was equivalent to what the President's Commission on Pension Policy considered an acceptable income to maintain a preretirement standard of living.

Our review of other selected examples showed that, in all cases, the retirees are receiving pension benefits higher than had they remained with, and retired under, GE's pension plan. Also, the selected retirees, according to the contractors, are receiving pension benefits provided for in the operating contractors' pension plans that HAMTC had bargained for in the past.
Retirement income of selected HAMTC retirees

We found that the monthly pension benefits for retirees A, B, and C, as well as the other retirees, are not their total benefits. Rather, they represent only the benefits received from the retirees' last employer, i.e., United Nuclear Industries, Battelle, or Westinghouse.

Retirees A, B, and C, for example, are also receiving benefits for their service at the prior contractors, GE and Dupont. According to information supplied by the contractors' representatives, the three retirees' total service and benefits were as follows:

<table>
<thead>
<tr>
<th>Contractors</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Years/ months of service</td>
<td>Monthly benefits</td>
<td>Years/ months of service</td>
</tr>
<tr>
<td>Dupont</td>
<td>(a)</td>
<td>$6</td>
<td>(a)</td>
</tr>
<tr>
<td>GE</td>
<td>(a)</td>
<td>133</td>
<td>(a)</td>
</tr>
<tr>
<td>United Nuclear</td>
<td>10.6</td>
<td>184</td>
<td>14.6</td>
</tr>
<tr>
<td>Total</td>
<td>33.6</td>
<td>$323</td>
<td>38.5</td>
</tr>
</tbody>
</table>

a/Information not available.

We made a further analysis to determine retiree A's total retirement income and what other retirement income he is receiving or would be entitled to receive. At the time he retired in April 1978, his annual salary was $15,000 or about $1,250 per month; thus, the $323 monthly pension benefit represented about 26 percent of his preretirement income. However, the $323 does not include the monthly retirement income--social security benefits--he is entitled to receive under the Federal Government's Old-Age, Survivors and Disability Insurance Program. 1/

The Social Security Administration, Department of Health and Human Services, administers this program, and its purpose is to provide income to workers and their families when a worker retires, dies, or becomes disabled. The program is financed by social security taxes paid by the individuals and employers based on the

1/This program was originally authorized by the Social Security Act (42 U.S.C. 301 et seq.) enacted August 14, 1935. Since then the act has been amended on numerous occasions.
The employees are entitled to receive full monthly retirement benefits based on their earnings and contributions, when they reach age 65 or upon disability. 2/

According to information provided by the United Nuclear Industries' representative, retiree A is over 65, and based on his earnings and contributions, he is entitled to receive $424 in social security benefits. Also, the contractor's representative told us that retiree A is married, and when his wife reaches age 65, she will be entitled to receive $212 in social security benefits. The schedule below shows the total monthly retirement income he was entitled to at April 1978, and he and his wife will be entitled to when she reaches age 65.

<table>
<thead>
<tr>
<th>Source</th>
<th>Retirement income at April 1978</th>
<th>Retirement income when wife reaches age 65</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hanford contractors</td>
<td>$323</td>
<td>$323</td>
</tr>
<tr>
<td>Social security benefits</td>
<td>424</td>
<td>636</td>
</tr>
<tr>
<td>Total</td>
<td>$747</td>
<td>$959</td>
</tr>
<tr>
<td>Percentage of preretirement income</td>
<td>60</td>
<td>77</td>
</tr>
</tbody>
</table>

Retiree A's retirement income at April 1978 as shown on the schedule represented about 60 percent of his preretirement monthly income of $1,250, and the $959 he and his wife may subsequently receive would represent about 77 percent of his preretirement income. In addition, under the law his social security benefits would be increased based on the rise in the cost of living.

Retiree A's retirement income of $747 compares favorably with the preretirement income figures the President's Commission on Pension Policy discussed in its final report issued in February 1981. The President established the Commission in 1978, and the Congress authorized it to examine the Nation's retirement, survivor, (et seq.).

1/The contributions are made pursuant to the Federal Insurance Contribution Act (26 U.S.C. 3101 et seq.).

2/Persons can retire at age 62, but their monthly retirement benefits are reduced.
and disability systems and develop recommendations for changes that would address current problems and meet identified goals. 1/

In its February 1981 report, 2/ the Commission discussed retirement income goals and the adequacy of income at retirement and during retirement. The Commission, in measuring the adequacy at retirement, used a wage replacement ratio--i.e., this measures how much of the retirees' preretirement disposable income must be replaced by other income sources to avert a drop in their standard of living. The Commission also concluded that the goal in measuring adequacy of replacement income must consider the retirees' income from all sources.

The Commission's report presented several tables illustrating the desired replacement income goals, for workers with a minimum preretirement income of $6,500 to a maximum of $50,000 annually. Presented below is a schedule showing the Commission's estimate of the retirement income needed, for a single person and for a married couple making $15,000 and retiring in 1980, to maintain their preretirement standard of living.

<table>
<thead>
<tr>
<th>Gross preretirement income</th>
<th>Equivalent retirement income needed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Single person</td>
</tr>
<tr>
<td></td>
<td>Dollars</td>
</tr>
<tr>
<td>$15,000</td>
<td>$9,941</td>
</tr>
</tbody>
</table>

As stated previously, retiree A’s monthly retirement income at April 1978 was $747 or $8,964 annually, and he and his wife will be entitled to receive $959 monthly or $11,508 annually when his wife reaches age 65. These figures represent about 60 and 77 percent, respectively, of retiree A's preretirement income, and compare favorably with the goals considered desirable by the President's Commission.

Successor contractors provide retirees reviewed higher pension benefits than GE

We compared the pension benefits for three of the five retirees from Battelle with those they would have received from GE.

1/Presidential Executive Order 12071, dated July 12, 1978, established the Commission, and it started operating on September 21, 1978. On May 24, 1979, Public Law 96-14, "Pension Policy Commission Act," was enacted which authorized the Commission to make a 2-year study of the Nation's retirement income policies to develop a national retirement policy.

2/See page 8.
We found that all three retirees are receiving higher pension benefits than they would have received had GE remained at Hanford.

The first case involves retiree N, a former instrument specialist, who retired on May 30, 1980, at age 65 after almost 30 years of service. The schedule supplied by HAMTC shows that retiree N is receiving a monthly pension of $296 for his Battelle service. However, Battelle's benefit specialist made an analysis which showed that retiree N is entitled to a $607 monthly pension benefit. This includes $88 per month for his GE service and $519 for his Battelle service. (Since he retired after April 1, 1980, he was entitled to receive a $195 increase Battelle offered in its negotiations.) The specialist said that retiree N elected to exercise the Battelle pension plan's joint survivor option. Thus, his monthly pension benefit was decreased by $28 from $324 to $296, for a total monthly benefit of $579.

The Battelle benefit specialist's analysis showed that, had retiree N spent the entire time working for GE, he would receive a monthly pension benefit of $426, or $153 less than he is now receiving.

The second case involved retiree Q, a plumber/steamfitter, who retired March 7, 1977, at age 62 after over 28 years of service. He is entitled to $311 per month, $95 from GE and $216 from Battelle. The schedule on page 30 shows that retiree Q was entitled to $209 from Battelle. The specialist, however, could not explain the difference.

According to the Battelle specialist, had retiree Q stayed with GE the entire period, his monthly benefits would be $275 per month or $36 less.

The third case involves retiree R, who is also a plumber/steamfitter, and who retired on June 30, 1977, at age 64 after almost 23 years of service. Retiree R is receiving $292 per month, $225 from Battelle and $67 from GE; but he would have received only $252 per month if all his service had been with GE. (The contractors' increase in benefits effective April 1, 1980, did not apply to retirees Q and R, only to active employees at that date.)

In all three cases the retirees are receiving higher benefits under the combined GE and successor contractors' pension plans than had GE remained at Hanford.

As indicated earlier, the Battelle benefit specialist calculated the three retirees' estimated benefits under Battelle's and GE's plans. However, we made tests to check the accuracy of the data and calculations. We reviewed the specialist's worksheets and other supporting documents to verify that the formulas
used in computing the retirees' benefits agreed with the formulas in the contractors' and GE's pension plans. We also spot checked the calculations on the specialist's worksheets. We found no errors.

**Contractors' representatives' comments**

The contractors' representatives told us that the retirees are receiving the pension benefits that HAMTC had bargained for in the past. However, the representatives stated that, in light of the above facts, they were satisfied that, even for the most extreme examples that HAMTC could find, the retirees' total retirement income is adequate.

They believed that it is proper and reasonable to consider retirees' income from all sources (e.g., private pension plans and social security), to determine the adequacy and level of replacement income. They also stated that they contributed half of the social security contributions for someone like retiree A as well as paying for the private pension plan. They also pointed out that the social security benefits are indexed to the cost of living and not subject to Federal income tax.

**CONCLUSIONS**

The pension benefits for the Battelle retirees we reviewed are greater than the benefits they would have received had GE remained at Hanford. Furthermore, the total retirement income of the most extreme example cited by HAMTC compares favorably with the desired retirement income goals established by the President's Commission on Pension Policy.

We conclude, therefore, that the Hanford retirees we reviewed are not being unjustly treated on their pension benefits. Nevertheless, in our view, the adequacy of the Hanford employees' pension benefits and any changes in the level of benefits are issues that HAMTC and the contractors should settle at the bargaining table.
HAMTC'S STATEMENT THAT HANFORD EMPLOYEES' PENSION
BENEFITS ARE LESS THAN HALF OF EMPLOYEES AT
DOE'S OAK RIDGE PROJECT IS NOT ACCURATE

DOE has seven other projects similar to Hanford located in various sections of the United States. The projects also have research, production, and multiprogram or specialized laboratory facilities which are Government-owned, but most of the facilities are operated by university, industry, or nonprofit contractors. One of these projects is in Oak Ridge, Tennessee, and is managed by DOE's Oak Ridge Operations Office.

HAMTC'S POSITION

In the June 5, 1980, letter, HAMTC's representative stated that the Hanford employees' average retirement is less than half the average retirement Oak Ridge nuclear workers receive. When we spoke to HAMTC officials in October 1980, they reiterated that the Oak Ridge employees' pensions are higher and attributed this to the fact that one contractor operates the Oak Ridge Project. The officials also wondered why Hanford is the only project using the multiple contractor program.

HAMTC officials also expressed concern that the Richland City employees receive higher pension benefits than the Hanford employees who perform the same job. They also stated that employees of the five operating contractors—working at other locations—receive better pension benefits than the contractors' employees at Hanford.

GAO ANALYSIS

Hanford is not the only DOE project that has a multiple contractor program, and Hanford employees do not receive pension benefits less than half of those of the Oak Ridge employees.

The Hanford contractors acknowledge that Richland City employees receive higher pension benefits than Hanford employees, but they stated this is because the city's employees are covered under Washington State's more generous pension plans.

The contractors stated, however, that Hanford employees' pension benefits are better than the benefits of their other employees.
Other DOE projects have multiple contractor programs

DOE told us it has seven other projects similar to Hanford. The locations and the DOE offices managing them follow:

Albuquerque Operations Office
Albuquerque, New Mexico

Chicago Operations and Regional Office
Argonne, Illinois

Idaho Operations Office
Idaho Falls, Idaho

Nevada Operations Office
Las Vegas, Nevada

Oak Ridge Operations Office
Oak Ridge, Tennessee

San Francisco Operations Office
Oakland, California

Savannah River Operations Office
Aiken, South Carolina

On February 23, 1981, DOE's Washington headquarters furnished us a list of the Government-owned, contractor operated facilities and major onsite contractors at the seven projects. Our review of the list showed that all seven projects have multiple contractors operating the facilities or providing services.

The Oak Ridge Project, for example, has four contractors as follows:
<table>
<thead>
<tr>
<th>Type of facility operated or service provided</th>
<th>Contractor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multipurpose laboratory:</td>
<td>Union Carbide Corporation</td>
</tr>
<tr>
<td>Oak Ridge National Laboratory</td>
<td></td>
</tr>
<tr>
<td>Special program laboratories:</td>
<td>Comparative Animal Research Laboratory</td>
</tr>
<tr>
<td>Biomedical and Environmental Facilities</td>
<td>Oak Ridge Associated Universities</td>
</tr>
<tr>
<td>Production, weapons, and fabrication facilities:</td>
<td></td>
</tr>
<tr>
<td>Nuclear materials production:</td>
<td>Union Carbide Corporation</td>
</tr>
<tr>
<td>Oak Ridge Gaseous Diffusion Plant</td>
<td></td>
</tr>
<tr>
<td>Paducah Gaseous Diffusion Plant</td>
<td>Union Carbide Corporation</td>
</tr>
<tr>
<td>Weapons fabrication:</td>
<td>Union Carbide Corporation</td>
</tr>
<tr>
<td>Oak Ridge Y-12 Plant</td>
<td></td>
</tr>
<tr>
<td>Support and miscellaneous service:</td>
<td>Rust Engineering Company</td>
</tr>
<tr>
<td>Support/miscellaneous</td>
<td>Stone and Webster Engineering Corporation</td>
</tr>
<tr>
<td>Support/miscellaneous</td>
<td></td>
</tr>
</tbody>
</table>

All other six projects had more than one contractor--none had a sole contractor operating all facilities and providing all services.

Pension benefits at Hanford and Oak Ridge comparable

Hanford employees do not receive pension benefits which are only half of those received by employees at Oak Ridge. In its August 1, 1980, letter the Acting Secretary of Energy stated that data provided by its Richland and Oak Ridge Operations Offices show that there is no such disparity. DOE prepared two schedules comparing pension benefits provided by five contractors at Hanford and one at Oak Ridge for three worker classifications--instrument specialist, pipefitter journeyman, and janitor. DOE selected these classifications because it said they were common in the contractors' operations. DOE also said it based the comparisons in the two schedules on wage rates and pension plans in effect for the selected employees at the two locations.

On schedule A below, DOE estimated pension benefits employees would receive had they retired on April 1, 1980. For comparability, DOE assumed GE or Union Carbide had hired the employees in January 1947 and the employees retired on April 1, 1980, at age 65 with 32-1/4 years of credited pension service.
### Schedule A

<table>
<thead>
<tr>
<th>Location and contractor</th>
<th>Instrument specialist</th>
<th>Pipefitter journeyman</th>
<th>Janitor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Oak Ridge:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union Carbide (note a)</td>
<td>$564</td>
<td>$550</td>
<td>$386</td>
</tr>
<tr>
<td><strong>Hanford:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GE (note b)</td>
<td>476</td>
<td>452</td>
<td>323</td>
</tr>
<tr>
<td>Rockwell (note c)</td>
<td>505</td>
<td>471</td>
<td>-</td>
</tr>
<tr>
<td>Westinghouse (note c)</td>
<td>561</td>
<td>535</td>
<td>-</td>
</tr>
<tr>
<td>United Nuclear (note c)</td>
<td>475</td>
<td>450</td>
<td>257</td>
</tr>
<tr>
<td>Battelle (note c)</td>
<td>605</td>
<td>577</td>
<td>-</td>
</tr>
</tbody>
</table>

a/Benefits are based on its plan in effect on July 1, 1980.

b/Benefits include all improvements through January 1, 1980.

c/Benefits include increases offered in the negotiations for renewal of the contract that expired March 31, 1980.

As schedule A shows, except for employees at Battelle, the estimated benefits at Oak Ridge are slightly higher than those at Hanford. However, in no instances are Hanford employees' estimated benefits less than half of those for Oak Ridge employees.

On Schedule B below, DOE estimates the pension benefits employees will receive after 30 years of service, beginning July 1, 1980. For comparability, DOE assumed that (1) the employees were new, (2) their salaries for the next 30 years would remain the same as that of calendar year 1979, and (3) they would retire after 30 years of service.
## Schedule B

Worker classification and estimated monthly benefits

<table>
<thead>
<tr>
<th>Location and contractor</th>
<th>Instrument specialist</th>
<th>Pipefitter journeyman</th>
<th>Janitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oak Ridge:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union Carbide (note a)</td>
<td>$ 693</td>
<td>$ 661</td>
<td>$467</td>
</tr>
<tr>
<td>Hanford:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GE (note b)</td>
<td>949</td>
<td>893</td>
<td>507</td>
</tr>
<tr>
<td>Battelle (note c)</td>
<td>1,067</td>
<td>1,017</td>
<td>665</td>
</tr>
<tr>
<td>Rockwell (note c)</td>
<td>1,139</td>
<td>1,076</td>
<td>636</td>
</tr>
<tr>
<td>Westinghouse (note c)</td>
<td>1,147</td>
<td>1,093</td>
<td>715</td>
</tr>
<tr>
<td>United Nuclear (note c)</td>
<td>894</td>
<td>849</td>
<td>533</td>
</tr>
</tbody>
</table>

*a/Benefits are based on the plan in effect July 1, 1980.*

*b/Benefits include improvements effective July 1, 1979.*

*c/Benefits include increases offered in the negotiations for renewal of the contract that expired March 31, 1980.*

As schedule B shows, Hanford employees' estimated benefits are in all cases higher than those for Oak Ridge employees.

Thus, a review of both schedules indicates that the Acting Secretary's statement, that there is no disparity such as claimed by HAMTC, appears accurate. There is no case where a Hanford employee will receive a retirement benefit half of what Oak Ridge employees will receive.

We also verified the benefit data shown on schedules A and B for the Hanford employees against other data provided by DOE and the contractors. We found no discrepancies.

We did not visit Oak Ridge; therefore, we could not verify that data. However, during our review we were not aware of anything which would make us question the accuracy of DOE's data for the Oak Ridge employees.

HAMTC officials disputed the comparisons in the two schedules because they stated that salaries in Oak Ridge are lower than in Hanford. The officials also believe that the schedules should show percentages of pay rather than absolute dollar amounts. As indicated above, we did not visit Oak Ridge; therefore, we cannot.
comment on HAMTC officials' statement and we did not make the comparison of pensions at Oak Ridge suggested by HAMTC.

Comparison of pension benefits at Hanford to Richland City and contractors' other employees

From 1946 to 1958, GE provided municipal services, such as fire and police protection, for the entire Hanford Project. In 1958 when Richland City was incorporated, it assumed responsibility for providing municipal services within its boundaries and hired many of the former GE employees to perform the services.

Contractor employees--currently those from the Rockwell Hanford Company--however, continue to provide municipal services within the Hanford Project on land still owned by the Federal Government. HAMTC officials stated that the Richland City employees receive much higher pension benefits than the contractors' employees, although both are performing the same job.

We discussed this matter with the contractors' representatives, and they did not dispute the superiority of the Richland City pension benefits compared to the Hanford benefits. They said that the city's employees are under one of two Washington State pension plans and that these plans provide substantially higher benefits than the contractors' plans. They stated that the State's plans are modeled after the Federal Civil Service Retirement Plan, and the benefits are very generous. They also pointed out that, when Richland was incorporated, the Federal Government contributed a considerable amount of money to the pension funds to pay for employees' past service.

A contractor's representative also stated that the State's plans require the employees to contribute 6 percent of their salaries. He stated, however, four of the five contractors' pension plans are noncontributory, i.e., the employees do not make contributions. The fifth contractor's plan required employees to make lower contributions than the State's plan.

The representatives also stated that the comparisons of the plans are not necessarily valid because of the differences in the employers. They stated no private organization could afford to pay pension benefits as generous as the State's plans for Richland City's employees.

We did not attempt to compare the pensions of Hanford employees with the contractors' other employees because of the difficulty in making a meaningful and consistent comparison. To illustrate, the Rockwell Hanford representative told us that employees at Rockwell Hanford and the parent company, Rockwell International, are covered by 1 of over 200 pension plans nationwide. Therefore, comparing Rockwell Hanford employees' pensions
with other Rockwell employees' pensions would be difficult and time consuming. For example, which one of these 200 pension plans should the Rockwell Hanford plan be compared to? Admittedly some of these groups of employees may be more comparable to the group at Hanford than others. But it still would be a time-consuming and difficult task.

We did, however, discuss the matter with the contractors' representatives, and they stated that the Hanford employees' pension benefits are better overall than the benefits for the employees at other sites. For example, they pointed out that their hourly employees--at sites other than at Hanford--receive a certain dollar amount in pension benefits for each year they work. On the other hand, Hanford employees' benefits are based on a percentage of their salaries. Therefore, with the inflation rate increasing employees' salaries, it is frequently better to have pension benefits computed on a percentage basis rather than on a fixed dollar amount.

CONCLUSIONS

Our analysis showed that the Hanford Project is not the only DOE project with a multiple contractor program and the Oak Ridge Project is not operated by a single contractor. Moreover, a comparison of Hanford employee pensions with those at Oak Ridge showed some disparity, but not as great as stated by HAMTC. HAMTC officials, however, dispute the results of the comparison because they said Oak Ridge salaries are lower. An argument can be made, however, that higher salaries mean a different allocation of the total compensation and, therefore, smaller pensions are justified.

Also, the relevance and significance of the comparison of Hanford employees' pension benefits with the contractors' other employees and with Richland City's employees is subject to varying opinions. The relative superiority of Richland City employees' benefits is a fact agreed to by both sides.

Nevertheless, in our view, the pension benefits Hanford employees should receive is a matter HAMTC and the contractors must settle at the bargaining table.
HAMTC'S STATEMENT THAT ITS PROPOSED MULTIEMPLOYER PLAN COULD PROVIDE MORE BENEFITS FOR LESS MONEY IS NOT SUPPORTED

Multiemployer pension plans are trust funds that are jointly administered by labor-management and are established under the Labor Management Relations Act of 1947 (29 U.S.C. 186(c)(5)--the Taft-Hartley Act). This act provides that such trust funds be (1) based on payments or contributions from employers, (2) managed for the sole benefit of eligible employees and their beneficiaries, (3) governed by a written agreement specifying the employer payments/contributions and employee benefits, and (4) administered by an equal number of representatives from the employees' and employers' organizations.

Multiemployer plans are known as Taft-Hartley trusts. A recent study prepared for the Department of Labor estimates that about 2,380 multiemployer pension plans, covering almost 8.8 million active and inactive participants, are operating. 1/

Multiemployer pension plans are also subject to the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.). The Congress enacted this law to regulate private pension plans and to help stop the misuse and abuse of private plans, which were resulting in employees, even with many years of service, losing pension benefits. The act established a comprehensive framework of minimum standards, including participation, vesting, and funding standards as well as standards of conduct, responsibilities, and obligations for the administrators, trustees, and fiduciaries of private pension plans--including multiemployer plans.

The Department of Labor and the Internal Revenue Service share the responsibilities for enforcing the Employee Retirement Income Security Act. Also, the act established the Pension Benefit Guaranty Corporation, which administers an insurance program to guarantee payment of certain vested benefits to participants of a defined benefit pension plan 2/ that terminates without sufficient assets to provide promised benefits.


2/See page 9.
HAMTC's Position

In the June 5 and August 6, 1980, letters, HAMTC representatives stated that their pension problems could be solved by the adoption of a union-industry pension plan to replace all existing plans at Hanford. HAMTC officials said that the moneys DOE currently contributes into the contractors' plans could be utilized to form a Hanford-wide plan that would remain in place no matter how many times contractors change.

HAMTC officials said they have such a plan, the "HAMTC Union-Industry Pension Fund." The officials stated their plan would grant employees credits for all past years of service at Hanford regardless of which contractor the employee worked for and could double the existing pension benefits for Hanford employees. HAMTC officials, in discussions with us, indicated this could be done with DOE's current contribution rates.

GAO Analysis

HAMTC officials did not provide us sufficient data and information or an actuarial valuation for our actuaries to evaluate the soundness of their proposed plan and trust.

HAMTC officials gave us a copy of an 11-page brochure dated October 1979, which described how the proposed plan and trust may work. The brochure—which the HAMTC Pension Committee had prepared for HAMTC members—described some of the plan's provisions, including the following:

1. Financing—The employers would pay the entire cost of the plan.

2. Employee participation—Employees who work for contributing employers will be eligible to participate.

3. Employment covered—Employees would receive credit for past, current, and future years of service at contributing employers.

4. Vesting credits—Employees would be credited 1 year of vesting service for each calendar year of service, in which they worked at least 750 hours, at a contributing employer.

5. Types of pension benefit plans—Employees could receive benefits under a normal, early retirement, disability, deferred, or special deferred pension plan.

6. Retirement eligibility—Employees must have at least 15 years of service to be eligible to receive pension benefits under a normal pension plan.
The brochure stated that an equal number of trustees, selected by the union and the contractors, would administer the plan. It also said that a private insurance company—the Prudential Insurance Company of America—and a private bank—the First Pennsylvania Bank—would hold the proposed trust fund's assets and reserves in custody and manage them.

The brochure also included information on benefits under a normal pension plan. It stated that, in general, a contribution by the employer of $.01 per hour, based on a 40-hour workweek, will produce a benefit of $9.20 a month for an employee who retires on a normal pension at age 65, with 30 years of pension credits. The brochure stated, however, that higher or lower contribution rates by the employers would produce a proportionally higher or lower normal pension benefit. It included the following table illustrating a normal pension plan's benefits at various average contribution rates effective July 1, 1979.

<table>
<thead>
<tr>
<th>Hourly contribution rate</th>
<th>Amount of normal pension benefit at age 65 with 30 years of pension credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>$.05</td>
<td>$ 46</td>
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<tr>
<td>.10</td>
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<td>.95</td>
<td>874</td>
</tr>
<tr>
<td>1.00</td>
<td>920</td>
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</tbody>
</table>

The brochure stated that the plan is set up on an actuarially sound basis, that it complies with all Government regulations, and that the fund's office will take care of all the Government reports and filings required under the Employee Retirement Income Security Act. It also stated that the Pension Benefit Guaranty Corporation would insure the HAMTC members' benefits under the plan.
The brochure, however, is not clear on all of the details of the proposed pension plan's requirements, and what would or should be done with the assets and liabilities of the pension plans of the current Hanford contractors. Therefore, we could not determine whether HAMTC's proposed pension plan complies with all Government regulations and applicable laws.

Also, ordinarily the first step in establishing or evaluating a pension plan is to commission an actuarial valuation. In estimating future pension costs, the actuary makes assumptions about future experience, such as yield from investments, retirement rates, death rates, disability rates, termination rates, and salary increase rates. Later valuations may compare the actuarial assumptions with actual experience under the plan. Differences between actual and expected experience give rise to actuarial gains and losses.

However, HAMTC's brochure did not include any actuarial valuation or other support for the contribution/pension benefit relationships included in the proposed plan. Nor did HAMTC officials have or provide us such supporting data or an actuarial valuation. Thus, our actuaries could not evaluate the proposed plan and determine whether the contribution/benefit relationship has been soundly determined.

Also, it must be emphasized that pension plan contributions are determined by the level of benefits, the amount of fund assets, actuarial assumptions (interest rate, turnover rate, retirement age, salary scale, etc.), and the actuarial cost method. The size of the benefit accrual is not the sole determination of the contribution rate.

Also, our actuaries question whether considerably greater benefits can be achieved over a period of time with the same contributions. In their opinion, this violates the common sense actuarial rules of pension funding. Higher benefits in the first year with the same contributions are possible, because of different actuarial methods and different actuarial assumptions. However, they do not believe it will be possible to maintain the higher benefits over a period of time unless contributions are increased.

CONCLUSIONS

We recognize that many multiemployer pension plans are currently operating. Also, we believe that multiemployer plans can adequately protect employees' pension benefits if the trust fund is prudently and soundly managed and is administered consistent with the Employee Retirement Income Security and Taft-Hartley Acts for exclusive interests of the participants and beneficiaries. We also recognize that such plans can allow employees, who change employers frequently, to receive credit for pension benefits,
provided their employment is with participating employers and the plans have provisions covering portability of service and reciprocity among the participating employers.

However, creation of a multiemployer pension plan, in our opinion, no matter how prudently or soundly it is administered, does not automatically result in greater pension benefits and lower employee contributions. Nevertheless, we believe that the merits of whether Hanford employees should have a multiemployer plan and the level of benefits and contributions under the plan are issues that HAMTC and the contractors should settle at the bargaining table.
LIST OF 16 INTERNATIONAL AND LOCAL
UNION ORGANIZATIONS COMPRISING HAMTC

International and local unions affiliated with the American Federation of Labor and Congress of Industrial Organizations.

1. International Association of Heat and Frost Insulators and Asbestos Workers
   Washington, D.C. 20036

2. International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers
   Kansas City, Kansas 66101

3. United Brotherhood of Carpenters and Joiners of America
   Washington, D.C. 20001

4. International Brotherhood of Electrical Workers
   Washington, D.C. 20005

5. International Brotherhood of Electrical Workers
   Local Union No. 77
   Seattle, Washington 98102

6. International Brotherhood of Electrical Workers
   Local Union No. 984
   Richland, Washington 99352

7. International Association of Fire Fighters
   Washington, D.C. 20006

8. International Association of Bridge, Structural and Ornamental Iron Workers
   Washington, D.C. 20006

9. International Association of Machinists and Aerospace Workers
   Washington, D.C. 20036

10. International Union of Oil, Chemical and Atomic Workers
    Nucleonics Alliance Local Union No. 1-369
    Richland, Washington 99352

11. International Union of Operating Engineers
    Washington, D.C. 20036

12. International Brotherhood of Painters and Allied Trades
    of the United States and Canada
    Washington, D.C. 20006
13. United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada
   Washington, D.C. 20001

14. International Federation of Professional and Technical Engineers
   Washington, D.C. 20036

15. Sheet Metal Workers' International Association
   Washington, D.C. 20006

Independent international union:

16. International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America
   Washington, D.C. 20001

Sources: Hanford Atomic Metal Trades Council, 1305 Knight Street, Richland, Washington 99352.


Records in the Office of Public Disclosure, Labor-Management Services Administration, Department of Labor.
PART VIII

PENSION AND RETIREMENT PLANS

A. DEFINITIONS (for purposes of this appendix):

1. Pension and Retirement Plans. The terms “pension plans” and “retirement plans” are used interchangeably and mean permanent programs established and maintained by contractors to provide systematically for the payment of definitely determinable benefits to their employees over a period of years, usually for life, after retirement.

2. Profit-Sharing Pension Plans. The term “profit-sharing pension plan” means plans providing for the amounts of the employer’s contributions to be determined or measured by the employer’s profits or earnings. The future benefits cannot be actuarially determined since it is not possible to furnish any assurance that sufficient funds will be available at any time to meet any particular schedule of benefits. Such a plan may constitute the sole pension arrangement of a contractor or it might be superimposed upon or be an addition to a moderate actuarially sound pension plan providing only for pension benefits within cost limits that the contractor is willing or able to meet as a recurring fixed obligation.

3. Past Service Costs. The term “past service costs” is the amount at any time actuarially determined which would be required at such time to meet all the future benefits provided under the plan which would not be met by future normal costs and employees contributions with respect to the employees covered under the plan at such time. The term includes “supplementary costs” defined below, costs attributable to service prior to the date of the establishment of a plan or a major amendment thereto and additional costs in particular years resulting from a change in the funding method.

4. Supplementary Costs. The term “supplementary costs” covers a variety of special benefits in addition to the principal or regular benefit credits. An example is the credit for service from the date an employee commences working for an employer and the date he becomes eligible for participation in the plan. The costs of such credits may be determined only as the conditions are fulfilled and the credits mature for individual employees.

5. Vesting. The term “vesting” means the attainment by a participant in a plan of certain rights in the funds, arising out of the employer’s contributions made in his behalf. The rights ordinarily are granted only after certain requirements of the plan are met such as the completion of a specified number of years of service and/or attainment of a particular age.

6. Replacement Contractor. A replacement contractor is a cost-type contractor who enters into a contract with the AEC for the purpose of performing all or part of the management and operation of an AEC-owned facility or function previously managed and operated by an AEC cost-type contractor.

B. TYPES OF PENSION AND RETIREMENT PLANS

Basically, pension and retirement plans are classified as either trusteed plans or annuity plans although there may be a combination of both. Under the trusteed type, the contributions are paid into a separate fund established by a trust indenture and direct payments are made to the beneficiaries. Under the annuity type, the plan benefits are insured with an insurance company which issues either group or individual contracts. A form of group annuity contract called “deposit administration” provides for the accumulation of premiums in a deposit fund and, upon retirement, for the withdrawal of the amount necessary for the purchase of an annuity to provide for the employee’s pension benefit.

C. SPECIAL PENSION ARRANGEMENTS FOR AEC OPERATING CONTRACTORS

1. Special financial arrangements are usually required in the case of pension and retirement plans of cost-type contractors operating AEC-owned facilities to accomplish the following objectives:
   a. To assure that the pension cost to AEC approximates the actual cost to the contractor for the period of the AEC

Approved: May 7, 1974 1/

SOURCE: DOE.

1/DOE officials were revising this appendix as of May 1981. DOE officials also told us that no significant changes were planned.
APPENDIX IX

CONTRACTOR INSURANCE PROGRAMS

AEC Appendix 1401
Part VIII

contract for those contractor employees in whom pension rights vest.
b. To plan where feasible that contractor employees do not lose or forfeit accrued pension benefits solely on account of a change of AEC contractors. However, the benefit provided under each contractor’s plan will be calculated solely on remuneration and length of service with that contractor.
c. To protect the financial interests of the various parties, i.e., the AEC, the employees, and the Contractor, in the event of termination of the project.
d. To assure that employees retired from AEC contract work will be granted cost of living increases comparable to those granted retirees from the contractor’s commercial work during the active term of the contract.

2. Preferred Arrangements. The most satisfactory arrangements to accomplish the above objectives are those that:

a. provide that the pension funds for the contractor’s employees at an AEC facility be separate from any other fund.
b. provide where feasible that the plan may be transferred to and continued by a replacement contractor. Other arrangements could be considered such as assignment and continuation of the plan by someone other than the replacement contractor, creation of a new but identical plan to purchase, at vesting by combined service, paid-up annuities equal to benefits actually accrued at time of transfer, and using released liabilities to “buy” benefits under the retirement plan of the replacement contractor for the period of prior contractor service.
c. provide that, if any replacement contractor does not adopt the plan of the outgoing contractor and payments for future service under it are discontinued, the fund will remain intact to the extent required, based upon actuarial determination, to furnish accrued benefits for employees who continue work at the facility, and discontinuance of payments for future services shall not constitute a termination of the plan. Also, provide that this fund be used to furnish such employees with retirement benefits representing service with the prior contractor in accordance with the provisions of the plan when the combined service with the contractor and with prior and replacement contractors is sufficient to meet the vesting requirements.
d. provide that on the event of a contractor replacement, employees employed by the replacement contractor have the option of early retirement from the former contractor. This should be considered mandatory for plans covering AEC work only.
e. provide for the credit or payment to AEC of any excess funds.

3. Minimum Arrangements. Where it is not practicable or possible to make the above arrangements and a company-wide plan is adopted for the contractor’s employees at the AEC facility, the following will be the minimum arrangements which the AEC will consider satisfactory:

a. A provision for separate accounting or separate funding for the AEC facility for costs incurred under the contract.
b. A provision that, in determining AEC costs, AEC will be credited with its proportionate share of the earnings of the Corporate Pension Fund, including unrealized appreciation in the value of Fund’s investments.
c. A provision for the return to the AEC of any excess funding and other credits (including forfeitures). Particular attention must be given to protecting the AEC’s interest where the contractor’s contributions (which are reimbursed by the AEC) are made on behalf of the employee who transfers to the contractor’s commercial operations and whose employment is subsequently terminated before vested rights in the plan are acquired.
d. A provision that in the event of contractor replacement, the contractor will assist the AEC in preserving employees opportunities to attain vested rights through continuity of service with the replacement contractor at the AEC facility. For example, in a contributory plan, all employees who have not met the vesting requirements of the contractor’s plan at time of
The immediate vesting of accrued benefits generally will be required if upon contract termination the pension plan is terminated and there is no replacement contractor. The immediate vesting of accrued benefits may or may not be required in other situations depending upon whether or not the termination or partial termination of the pension plan is determined to have occurred. For example, where a replacement contractor has a comparable plan or takes over the terminating contractor's plan, the latter will not be considered to have been terminated. However, should a reduction in force be involved, with or without contract termination, a partial termination of the pension plan may have occurred. These and similar situations require that the pension plan status be determined on a case-by-case basis after a careful review of all of the pertinent circumstances.

b. Arrangements will be negotiated to provide a hedge to fluctuations in the cost of living through investment in equity securities or through variable annuities. Where such arrangements require additional costs, the matter will be referred to Headquarters for resolution, along with the request for approval of the final termination arrangements.

5. Total and Partial Pension Plan Termination

a. The immediate vesting of accrued benefits generally will be required if
replacement contractor should provide that:

1. The employee's years of service with the prior AEC contractor will count as service toward the participation requirements of the replacement contractor's plan, and also toward any length of service requirements for benefit eligibility (for example, for vesting, early retirement, or disability retirement) under the plan. Prior service will not be credited where the transferring employee at any time elects early retirement under the prior contractor's plan.

2. When the employee's combined service meets the vesting requirements under the prior contractor's pension plan, or at retirement, the replacement contractor will provide for the benefit of such employee an annuity in an amount equal to the benefits earned under prior contractor's pension plan unless otherwise provided by the prior contractor. The provision of such annuity shall be made at the time and under an arrangement mutually agreed upon between the replacement contractor and the AEC.

3. Except, as otherwise agreed by AEC, any employee electing early retirement under the prior contractor's pension plan shall not be employed by the replacement contractor.

4. In the case where the predecessor's pension plan was a contributory plan and the nonvested employees are to be refunded their contributions and earnings thereon, such employees shall be encouraged to make their refunds available for the purchase of annuities consistent with the provisions of the pension plan in effect during the periods of their participation therein.

5. An employee not making his refunds available shall forfeit all rights to any contributions made in his behalf by the prior contractor and any credit for his service with the prior contractor towards participation and vesting under the replacement contractor's plan.

7. Insured Plans. When an operating contractor proposes to purchase an insured pension plan to cover his employees on AEC work, he should solicit proposals from a sufficient number of insurers to establish adequate competition. Each proposal should be evaluated on expected cost, guarantees, and other pertinent factors.

8. Exceptions. Exceptions to the above require approval of the Director, Division of Labor Relations. It is recognized that there may be a small group of employees for whom separate retirement or pension arrangements are equitable because of either past or future service with the contractor in its private operations. Such arrangements are permissible and should not be treated as exceptions.

D. AEC APPROVAL OF PENSION AND RETIREMENT PLANS

1. Purpose. The purpose of requiring AEC approval is to determine that AEC's financial interests in the plan are continuously protected, that is, that the method to be used for funding the plan, the actuarial assumptions and methods to be used to compute liabilities of the plan, and the estimated costs are reasonable by AEC standards.

2. Responsibility for Approval. In the following cases, pension plans, amendments to the plans, and changes in methods of funding must be submitted to the Division of Labor Relations for approval:

a. Where the contractor operates an AEC-owned facility.

b. Where an AEC contract is being performed at a contractor's plant or facility and the contractor wishes the use of not less than 50 percent of the total number of the contractor's employees at such plant or facility.

c. Where an AEC contract is being performed at a separate plant or facility of a contractor with a definite segregation of personnel working on the AEC contract.
APPENDIX IX

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In all other cases, the plans, amendments and changes in methods of funding may be approved by the managers of field offices on the basis of the criteria set forth in this part VIII. All pension and retirement plans requiring Headquarters approval, together with all supporting data, shall be forwarded to the Division of Labor Relations which shall authorize appropriate action on the plans to the field office manager.

3. Requirements for Approval

a. Where a contractor is subject to Federal income taxes, the plan shall have received the approval of the Internal Revenue Service or, if the plan is being considered for IRS approval, the action of the AEC will be conditioned upon receiving such approval.

b. Where a contractor is not subject to Federal income taxes and the approval of the Internal Revenue Service is not obtained, the AEC will include the following criteria in determining the acceptability of a plan:

(1) There must be a formal written document communicated to the employees as a permanent pension program providing for payments to be made into a trust or a group annuity contract.

(2) The plan must be for the exclusive benefit of the employees or their beneficiaries.

(3) The benefits must be reasonable.

(4) The plan must not discriminate in favor of officers, stockholders, supervisory or other highly-paid employees.

(5) Until the purposes of the plan have been fulfilled, it must be impossible for the principal or income of the plan to be diverted for any other purpose. (In the case of contractors operating AEC facilities, special arrangements will be required for the return of any excess funds to AEC.)

(6) A pension trust may not engage in certain transactions with the creator of the trust or a party controlled by or closely related to the creator which result in benefits to the creator or related party.

c. Plans operated for manual employees in the construction industry under agreements between employers and labor unions in the general project areas and plans established by the statutes of the various states ordinarily will be considered for approval by the AEC without reference to the Internal Revenue regulations and rulings.

d. Profit-sharing pension plans may be considered for approval by the AEC provided they:

(1) constitute a bona fide pension program; i.e., the primary purpose is to provide pension or retirement benefits at a specified retirement age (as distinguished from an arrangement for the distribution of profits to the contractor's officers and employees).

(2) contain a fixed method for the determination of the amount of the contractor's contributions.

(3) contain a definite method for the application of the contractor's contributions for pension benefits of the employees.

(4) meet the other pertinent requirements of this chapter and appendix.

e. Pension plans vary greatly as to the benefits to be provided and also as to provisions for vesting of rights and equities, eligibility requirements, methods of funding, retirement ages, etc. Regardless of approval by the Internal Revenue Service, where a plan contains provisions for benefits beyond the scope of a bona fide pension plan such as for deferred compensation to be paid to the employees before retirement, the plan may be approved subject to the test of reasonableness of total compensation.

f. Any questions regarding the propriety of any financial provisions of a plan should be submitted for the consideration of the Director, Division of Labor Relations.

E. PENSION COSTS

1. Allowability. In the negotiation of contract terms concerning pension arrangements, in the negotiation of pension plan terms, and where the terms thereof provide for AEC
Funding. Before the contributions required to be made under a plan may be considered for allowability as part of the cost of an AEC contract, they must have been deposited in the pension trust, paid to the insurer, or paid to the pensioner.

3. Reasonableness. Ordinarily, if the employer's contributions under a pension plan for normal costs and past service costs are determined by an independent actuary, and are acceptable by the Internal Revenue Service, they may be considered as reasonable. However, normal costs, together with all other compensation paid to the employee shall be reasonable in amount. Compensation is considered reasonable to the extent that the total amount paid or accrued is commensurate with compensation paid under the contractor's established policy and conforms generally to the extent that the total amount paid or accrued is commensurate with compensation paid under the contractor's policy and conforms generally to the same size, in the same industry, or in the same geographic area, for similar services. (See AECPR 9-15.5010-14.) The above criteria is also applicable to the profit-sharing pension plans.

4. Past Service and Supplementary Costs

a. Past service costs that have been actuarially funded by the contractor may be allowed for contract cost reimbursement purposes to the extent allowable by the Internal Revenue Service for Federal income tax purposes, i.e., not in excess of 10 percent of the past service cost annually. In the case of operating contracts, the 10 percent rule will be applicable only if found to be reasonable under the circumstances in the particular case. Past service costs are often spread over a period represented by the difference between normal age of retirement and average age of the participant. Such costs at the beginning of such contracts normally will be only those with respect to transfers to the AEC project from the contractor's other operations and will be considered in the negotiation of the special pension arrangements; thereafter, the costs incurred by reason of plan changes in benefits or methods of funding, etc., will be considered in the review of such changes by the Division of Labor Relations.

b. In some cases, a contractor may defer the funding of past service and supplementary costs of a plan but still meet the requirements of the Internal Revenue Service as to the reasonableness of each year's contribution by paying interest on the unfunded amount. Such interest is considered as part of the pension cost rather than as a financing charge, and therefore, may be accepted to the extent that for any one year the amount paid does not exceed the amount that would have been allowed if the past service or supplementary cost had been funded. The same rule is applicable in the case where interest and part of the annual past service cost is paid.

F. CREDITS

1. Accounting For. Credits arise in various ways and it is essential that proper accounting be made for all credits arising from payments reimbursed by AEC Credit for the normal turnover of the participants under a plan ordinarily is included as a discount factor in the actuarial computations of the annual contributions. Adjustment need be made only for forfeitures which directly or indirectly inure to the benefit of the contractor; forfeitures which inure to the benefit of other employees with no reduction in the contractor's costs will not normally give rise to adjustment in contract costs. (See AECPR 9-15.5010-14(k).) However, substantial credits for which special provision should be made arise in cases such as the following:

a. Where there is a mass termination of
AEC project employees.

b. Where an AEC project is terminated or there is a change in the contractors at the project with the consequent termination of the pension plan.

c. Where a contractor substantially expands his organization for the performance of an AEC contract and there is reasonable expectation that all or a large number of the additional employees will not receive the plan benefits. In such circumstances special arrangements shall be made with the contractor for the recapture of forfeitures whether or not they inure to the benefit of the contractor.

2. Methods of Providing for the Credits. Three principal methods are available for the protection of the AEC's interest in the credits, although in some particular case some other method may be found to be more satisfactory. These methods are as follows:

a. The actual cost method is that employed in connection with the special pension arrangements for AEC operating contractors (see C, above).

b. Under the recapture method the contractor, pursuant to an appropriate contract provision, is required to make a refund of any credits which are to be determined within some specified time such as one year after completion or termination of the contract.

c. Under the discount method, the amount of the contractor's current costs is discounted by a percentage agreed upon by the AEC and the contractor. The contractor's allowable pension costs under this method would be determined on the basis of the proportion of the employees who are expected to participate in the plan benefits to the total number of employees for whom contributions are being made with due consideration being given to any other pertinent factors such as normal employee turnover and the time of acquisition of vested rights in the plan.
<table>
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<th>Pipefitter</th>
<th>Radiation monitor</th>
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<tbody>
<tr>
<td>General Electric:</td>
<td>$403</td>
<td>$476</td>
<td>$452</td>
<td>$411</td>
<td>$323</td>
<td>-</td>
</tr>
<tr>
<td>Monthly benefit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rockwell:</td>
<td>$417</td>
<td>$505</td>
<td>$471</td>
<td>$428</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Former GE employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in class.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ahead (+) or</td>
<td>+$ 14</td>
<td>+$ 29</td>
<td>+$ 19</td>
<td>+$ 17</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>behind (-) GE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Westinghouse:</td>
<td>$471</td>
<td>$561</td>
<td>$535</td>
<td>$480</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Monthly benefit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Former GE employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in class.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ahead (+) or</td>
<td>+$ 68</td>
<td>+$ 85</td>
<td>+$ 83</td>
<td>+$ 69</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>behind (-) GE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Nuclear:</td>
<td>+ 399</td>
<td>$475</td>
<td>$450</td>
<td>$404*</td>
<td>$257</td>
<td>-</td>
</tr>
<tr>
<td>Monthly benefit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Former GE employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in class.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ahead (+) or</td>
<td>-$ 4</td>
<td>-$ 1</td>
<td>-$ 2</td>
<td>-$ 7</td>
<td>-$ 66</td>
<td>-</td>
</tr>
<tr>
<td>behind (-) GE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Battelle:</td>
<td>$484</td>
<td>$605</td>
<td>$577</td>
<td>$490</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Monthly benefit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Former GE employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in class.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ahead (+) or</td>
<td>+$ 81</td>
<td>+$129</td>
<td>+$125</td>
<td>+$ 79</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>behind (-) GE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total former GE</td>
<td>42</td>
<td>41</td>
<td>26</td>
<td>57</td>
<td>2</td>
<td>168</td>
</tr>
<tr>
<td>employees in class.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ahead or behind</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GE benefits</td>
<td>+$ 21</td>
<td>+$ 74</td>
<td>+$ 33</td>
<td>+$ 25</td>
<td>-$ 66</td>
<td>+$ 36**</td>
</tr>
</tbody>
</table>

Source: DOE.
### APPENDIX X

<table>
<thead>
<tr>
<th>classifications</th>
<th>Keypunch operator</th>
<th>Control clerk</th>
<th>Lead computer operator</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Electric:</td>
<td>$320</td>
<td>$320</td>
<td>$432</td>
<td>-</td>
</tr>
<tr>
<td>Monthly benefit</td>
<td>$175</td>
<td>$187</td>
<td>$269</td>
<td>-</td>
</tr>
<tr>
<td>Boeing Computer Services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly benefit</td>
<td>6</td>
<td>1</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Former GE employees in class</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ahead (+) or behind (-) GE</td>
<td>-$145</td>
<td>-$133</td>
<td>-$163</td>
<td>-$150**</td>
</tr>
</tbody>
</table>

Overall weighted monthly pension amount in excess of GE pension = $32. (See Table 2, app. XI, for distribution of former GE employees.)

*Radiation Chemical Technician is the successor classification.

**Weighted average ahead (+) or behind (-) GE.

Classifications were selected which were common in several contractor operations. In the case of Boeing Computer Services, this was not possible. Because of this, Boeing benefits are reported separately, enabling the status at Hanford to be presented more clearly than if it were weighted with data of other contractors.

Calculation of GE pension benefits includes all improvements made through January 1, 1980. Calculation of Hanford contractor pension benefits includes improvements offered in current negotiations. 1/ For comparability, the assumption is made that individual employees were employed by GE in January 1947 and will retire at age 65 with 32-1/4 years of pension credited service at Hanford on April 1, 1980.

The analysis covers 179 of 590 bargaining unit employees on Hanford contractors' payrolls who were employed by GE at Hanford.

SOURCE: DOE.

GAO Note:

1/This refers to the improvements offered by contractors in negotiations with HAMTC for renewal of contracts that expired on March 31, 1980. HAMTC subsequently accepted the improvements.
## TABLE 2
### DISTRIBUTION OF FORMER GE AND CURRENT BARGAINING UNIT EMPLOYEES AT HANFORD PROJECT

<table>
<thead>
<tr>
<th></th>
<th>Power operator</th>
<th>Instrument specialist</th>
<th>Pipefitter journeyman</th>
<th>Radiation monitor journeyman</th>
<th>Janitor</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rockwell:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Former GE employees</td>
<td>33</td>
<td>8</td>
<td>15</td>
<td>36</td>
<td>0</td>
<td>272</td>
<td>364</td>
</tr>
<tr>
<td>Current emp. in class</td>
<td>44</td>
<td>20</td>
<td>59</td>
<td>41</td>
<td>28</td>
<td>1,148</td>
<td>1,340</td>
</tr>
<tr>
<td><strong>Westinghouse:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Former GE employees</td>
<td>5</td>
<td>14</td>
<td>4</td>
<td>8</td>
<td>0</td>
<td>22</td>
<td>53</td>
</tr>
<tr>
<td>Current emp. in class</td>
<td>31</td>
<td>43</td>
<td>45</td>
<td>22</td>
<td>44</td>
<td>358</td>
<td>543</td>
</tr>
<tr>
<td><strong>United Nuclear:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Former GE employees</td>
<td>3</td>
<td>6</td>
<td>5</td>
<td>9</td>
<td>2</td>
<td>104</td>
<td>129</td>
</tr>
<tr>
<td>Current emp. in class</td>
<td>21</td>
<td>9</td>
<td>34</td>
<td>24</td>
<td>8</td>
<td>296</td>
<td>392</td>
</tr>
<tr>
<td>** Battelle:**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Former GE employees</td>
<td>1</td>
<td>13</td>
<td>2</td>
<td>4</td>
<td>0</td>
<td>12</td>
<td>32</td>
</tr>
<tr>
<td>Current emp. in class</td>
<td>21</td>
<td>22</td>
<td>19</td>
<td>14</td>
<td>26</td>
<td>136</td>
<td>230</td>
</tr>
<tr>
<td><strong>Total former GE employees</strong></td>
<td><strong>42</strong></td>
<td><strong>41</strong></td>
<td><strong>26</strong></td>
<td><strong>57</strong></td>
<td><strong>2</strong></td>
<td><strong>410</strong></td>
<td><strong>578</strong></td>
</tr>
<tr>
<td><strong>Total current emp. in class.</strong></td>
<td><strong>109</strong></td>
<td><strong>94</strong></td>
<td><strong>157</strong></td>
<td><strong>101</strong></td>
<td><strong>106</strong></td>
<td><strong>1,938</strong></td>
<td><strong>2,505</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Keypunch operator</th>
<th>Control clerk</th>
<th>Lead computer operator</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Boeing:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Former GE employees</td>
<td>6</td>
<td>1</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Current emp. in class</td>
<td>-</td>
<td>22</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Grand total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Currently, 2,588 employees are represented by HAMTC, of which 590 (22.8 percent) had prior service at GE.

Source: DOE.
## Table 3

**Comparison of Hanford Contractors' Prospective Pensions to GE's Prospective Pensions Based on Current Benefit Rates**

*For Bargaining Unit Employees (note a)*

<table>
<thead>
<tr>
<th></th>
<th>Power Operator</th>
<th>Instrument Specialist</th>
<th>Pipefitter Journeyman</th>
<th>Radiation Monitor Journeyman</th>
<th>Janitor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Electric</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly benefit</td>
<td>$749</td>
<td>$949</td>
<td>$893</td>
<td>$785</td>
<td>$507</td>
</tr>
<tr>
<td><strong>Battelle</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly benefit</td>
<td>$885</td>
<td>$1,067</td>
<td>$1,017</td>
<td>$918</td>
<td>$655</td>
</tr>
<tr>
<td>Ahead (+) or behind (-) GE</td>
<td>+ 136</td>
<td>+ 118</td>
<td>+ 124</td>
<td>+ 133</td>
<td>+ 148</td>
</tr>
<tr>
<td><strong>Rockwell</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly benefit</td>
<td>$911</td>
<td>$1,139</td>
<td>$1,076</td>
<td>$952</td>
<td>$636</td>
</tr>
<tr>
<td>Ahead (+) or behind (-) GE</td>
<td>+ 162</td>
<td>+ 190</td>
<td>+ 183</td>
<td>+ 167</td>
<td>+ 129</td>
</tr>
<tr>
<td><strong>Westinghouse</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly benefit</td>
<td>$951</td>
<td>$1,147</td>
<td>$1,093</td>
<td>$987</td>
<td>$715</td>
</tr>
<tr>
<td>Ahead (+) or behind (-) GE</td>
<td>+ 202</td>
<td>+ 198</td>
<td>+ 200</td>
<td>+ 202</td>
<td>+ 208</td>
</tr>
<tr>
<td><strong>United Nuclear</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly benefit</td>
<td>$731</td>
<td>$894</td>
<td>$849</td>
<td>$760</td>
<td>$533</td>
</tr>
<tr>
<td>Ahead (+) or behind (-) GE</td>
<td>– 18</td>
<td>– 55</td>
<td>– 44</td>
<td>– 25</td>
<td>+ 26</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Keypunch Operator</th>
<th>Control Clerk</th>
<th>Lead Computer Operator</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Electric</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly benefit</td>
<td>$532</td>
<td>$598</td>
<td>$831</td>
</tr>
<tr>
<td><strong>Boeing</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly benefit</td>
<td>$689</td>
<td>$748</td>
<td>$960</td>
</tr>
<tr>
<td>Ahead (+) or behind (-) GE</td>
<td>+ 157</td>
<td>+ 150</td>
<td>+ 129</td>
</tr>
</tbody>
</table>

*a/Hanford contractor pensions include improvements offered by contractors in current negotiations, 1/ and GE pension includes improvements which became effective on July 1, 1979.

**Assumptions**

1. New employees as of January 1, 1980.
2. Salary next 30 years remains the same as that of calendar year 1979.
3. Retirement at normal retirement age with 30 years of total service.

**Source:** DOE.

**GAO Note:**

1/ See GAO note on page 58.
<table>
<thead>
<tr>
<th>Contractor</th>
<th>Normal retirement benefit formula</th>
<th>Vesting</th>
<th>Past service credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Battelle</td>
<td>Career Average Formula (year-by-year percent of earnings). Current rate is 2 percent.</td>
<td>Less than 5 years service, no vesting. 100 percent vested after 15 years of vesting service starting at age 22. Except that a staff member is 100 percent vested after 5 or more years of vesting service when the sum of age plus number of years vesting service equals 55 or more. 100 percent vested at age 65 regardless of the number of years of service.</td>
<td>GE pension credited service counted toward eligibility for participation and for vesting in Battelle's plan: except, such service did not count if employee withdraw contributions from GE pension plan.</td>
</tr>
<tr>
<td>Westinghouse</td>
<td>Career Average Formula (year-by-year percent of earnings). Current rate is 2.15 percent.</td>
<td>10 percent upon completion of 4 years of vesting service. 15 percent for each year thereafter. 100 percent vested upon completion of 10 years or at age 65 regardless of vesting service.</td>
<td>Battelle pension plan transferred intact to Westinghouse, including Battelle service and benefits.</td>
</tr>
<tr>
<td>Hanford Company</td>
<td>Career Average Formula (year-by-year percent of earnings). Current rate is 1.5 percent of first $7,000 + 2.5 percent of excess.</td>
<td>100 percent vested after 10 years of vesting service or age 65 regardless of vesting service.</td>
<td>GE pension credited service counted toward eligibility for participation and for vesting in Rockwell's plan: except, such service did not count if employee withdraw contributions from GE pension plan. International Telephone and Telegraph/ Federal Support Services service was given full credit under Atlantic Richfield Hanford Company plan. All pension credits earned from Isoclinic 1/ through Rockwell, including benefits, were transferred intact to successor contractors.</td>
</tr>
</tbody>
</table>
APPENDIX XIII

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Normal retirement benefit formula</th>
<th>Vesting</th>
<th>Past service credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing Computer Services</td>
<td>Career Average Formula (year-by-year percent of earnings). Current rate is 2 percent.</td>
<td>20 percent after completion of 6 years, 20 percent for each year thereafter. At age 55—100 percent regardless of length of vesting service.</td>
<td>All continuous GE and Computer Sciences Corporation service counted for vesting purposes. All employees transferred to Boeing Computer Services, Richland, became plan participants on November 1, 1975.</td>
</tr>
<tr>
<td>United Nuclear Industries</td>
<td>(1.4 percent of first $6,600 + 1.6 percent of final 5 years average salary less $6,600) multiplied by years of service.</td>
<td>100 percent vested after 10 years of vesting service. If employed after age 55 but before age 60, 100 percent vested at age 65.</td>
<td>GE pension credited service counted toward eligibility for participation and vesting in United Nuclear Corporation's plan; except, such service did not count if employee withdrew contributions from GE pension plan.</td>
</tr>
</tbody>
</table>

3/ The above benefits include improvements offered in current negotiations by the contractors to HAMTC. 2/

Source: DOE.

GAO Notes:
1/ Isochem, Inc., was a subsidiary of the Martin-Marietta Company and U.S. Rubber Company.
2/ This is a final average formula.
3/ See GAO note on page 58.