



P.O. Box 650, H3-08
Richland, WA 99352

Date: November 13, 2012

To: Hanford Operations and Engineering Pension Plan Participants

From: Hanford Site Pension Plans Sponsors

Subject: Hanford Operations and Engineering Pension Plan Restructuring Notice

The purpose of this notice is to inform the participants of the Hanford Operations and Engineering Pension Plan of changes to the Plan which will be implemented January 01, 2014. **Accrued pension benefits earned prior to January 01, 2014 will NOT be impacted by these changes** and these changes require no action from you, the participant.

In 2012, representatives from the 22 Hanford Site Pension Plans Sponsors undertook a thorough and strategic analysis to assess what specific adjustments needed to be made to the Site Pension Plan to better align with competitive, nationwide standards and keep the Hanford Plans affordable.

An essential factor in this analysis was to consider the participants of the Plan and their retirement. As such, we restructured the Plan, recognizing the need to provide an opportunity for participants near retirement ample time to make necessary adjustments, while we continue honoring their length of service on the Hanford Site.

With careful consideration, the Sponsors have approved the following changes effective January 01, 2014:

- The pension multiplier will change from the current 1.6% to 1.2% using the same Final Average Pay formula (pension multiplier X High 5 {average highest 60 months of the latest 120 months of base earnings} X years of benefit service).
- The normal form of payment for benefits earned will change from a 10-year Certain and Life Annuity payment form to a Single Life Annuity payment form.
- The maximum compensation included in base pay will change from the IRS limit (\$255,000, year 2013) to \$75,000 less than the IRS limit, determined annually, for future benefit accruals. The IRS limit for 2014 will be communicated upon determination.
- The continued accrual of pension benefit years of service during periods of long-term disability for current and future disabled participants will be eliminated.

The table below outlines the modifications which will be made to the Plan effective January 01, 2014:

January 01, 2014 Pension Changes

	<u>Current (prior to January 01, 2014)</u>	<u>January 01, 2014</u>
<p><u>Multiplier:</u></p> <p><u>Formula:</u></p>	<p>1.6%</p> <p>1.6% X High 5 X years of benefit service</p>	<p>1.2%</p> <p>1.2% X High 5 X years of benefit service after December 31, 2013</p>
		<p><u>Grandfathered Participants:</u> Employees who are at least age 50 with 15 years of vesting service on December 31, 2013 will accrue <i>two</i> separate benefits which will be combined and payable at retirement/termination:</p> <p><u>PRE January 01, 2014:</u> 1.6% X High 5 (<i>including compensation earned after December 31, 2013</i>) X years of benefit service. <i>Added to:</i></p> <p><u>POST January 01, 2014:</u> 1.2% X High 5 X years of benefit service commencing January 01, 2014.</p> <p><u>Non-Grandfathered Participants:</u> Employees who are not 50 years of age with 15 years of vesting service on December 31, 2013 will have <i>two</i> separate benefits which will be combined and payable at retirement/termination:</p> <p><u>PRE January 01, 2014:</u> 1.6% X High 5 (<i>as of December 31, 2013</i>) X years of benefit service at December 31, 2013. <i>Added to:</i></p> <p><u>POST January 01, 2014:</u> 1.2% X High 5 X years of benefit service commencing January 01, 2014.</p>
<p><u>Normal Form of Benefit</u></p> <p>Additional options offered under the Pension Plan will continue to be available to retiring/terminated participants.</p>	<p><u>10-Year Certain and Life Annuity</u></p> <p>Monthly pension benefit payable for your lifetime with the guarantee if you die before you have received 120 monthly payments, the balance of the 120 payments will be paid to your beneficiary (ies).</p>	<p><u>Single Life Annuity</u></p> <p>Monthly pension benefit payable for your lifetime but with no guarantee or certain period. The pension payments cease at your death with no further payments to your beneficiary (ies).</p>

	<u>Current (prior to January 01, 2014)</u>	<u>January 01, 2014</u>
<u>Annual Salary Cap</u> The IRS limits the amount of annual compensation used in determining pension benefits. Compensation included in High 5 is limited annually.	\$255,000 in 2013 The IRS annual compensation limit applies.	To Be Determined for 2014 The Plan will be imposing a compensation limit that is lower than the IRS limit by \$75,000.
<u>Long-Term Disability (LTD) Pension Benefit Service</u>	Participants in approved LTD status, continue to receive years of pension benefit service as if continuing to work at the same base salary in effect at the beginning of disability period until eligible for Normal Retirement (Age 65).	Participants in approved LTD status or who become approved for LTD on or after January 01, 2014 will no longer receive additional years of pension benefit service during their period of disability.

As a reminder, the sponsoring companies* of the Hanford Site Pension Plan pay the full cost of your pension plan benefits, you are fully vested in the Plan after three years of covered service, and you do not need to enroll to participate in the Plan. Upon retirement/termination the Plan will continue to provide either the option for a monthly benefit for the duration of your lifetime or a lump sum distribution.

The administrative team supporting the Hanford Site Pension Plan and sponsoring employers understand there will be questions from our participants regarding this information. We are fully committed to responding to each inquiry. In order to assist with the anticipated volume of questions, we encourage you to review the enclosed *Frequently Asked Questions* and access our website as we will continue to update the FAQ's as further inquiries are identified. In addition to the administrative team's immediate support, an individualized Pension Statement of your projected pension benefit will be distributed to plan participants reflecting the aforementioned changes. This statement distribution is tentatively scheduled for June of 2013.

If you have further questions regarding this information, please utilize the enclosed *Comments or Questions* form or contact us via email or through the United States Postal Service and your request will be addressed in the order in which it was received.

Email contact:

*Plan Administrator (Onsite/Internal)
PLAN_Administrator@rl.gov (Offsite/External)

Plant Mail (Onsite):

Benefits /Pension, H3-08

USPS:

MSA Benefits
PO Box 650 H3-08
Richland, WA 99352

Website:

www.hanford.gov/hr (Internal and External)

* Please refer to number 10 of the Frequently Asked Questions (enclosed) for a full list of Hanford Operations and Engineering Pension Plan Sponsors.