

Pension Plan Best Practices Governance

EFCOG

Elaine M. Cone, CPA, QPA

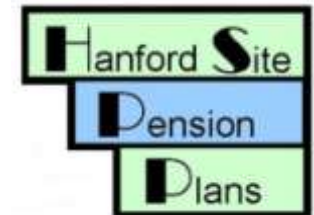
September 17, 2008

FLUOR[®]



Governance

- **Background & Complexity**
- **Why Governance is Important**
- **The Committees**
- **Summary**



Background: Hanford Site

Hanford Site Location Map



FLUOR



Background: Complexity

- **Hanford Multi-Employer Pension Plan**
- **One Plan Trust & Trustee**
- **Three Plan Documents**
- **Includes Two Bargaining Units**
- **Three Plan Administrative Committees (12 Plan Sponsors)**
- **One Investment Committee**
- **13,000 Participants (Actives and Retirees)**
- **13 Forms of Benefit Payment**



Why is Governance Important?

- **ERISA Requires Fiduciary Responsibility**
 - Fiduciaries must act in the interest of Plan Participants
- **Compliance**
 - ERISA, DOL, IRS, CAS, CRD 350.1



Why is Governance Important?

- **Actuarial Assumptions**
 - Careful review of actuarial assumptions lead to more predictable pension contributions
- **Investment Performance**
 - Contractors are reimbursed with taxpayers' money
 - 1% of performance in a \$1 billion trust is \$10 million



Pension and Savings Committees

- **Quarterly Committees Meeting**
 - Send materials electronically in advance
 - Document decisions
- **Review Investment Performance**
- **Committees Make Administrative Decisions**
 - Monitor, hire, and/or terminate Investment Managers
 - Amend plans; approve amendments
 - Review and approve administrative budget
 - Material actuarial assumptions
- **E-votes & Special Committee Meetings - Responsive**



Investment Committee

- **Includes Investment Consultant**
- **Maintains Written Investment Policy Statement**
- **Asset/Liability Studies**
- **Meets with Investment Managers**
- **Uses a Watch List**
- **Rebalances Investment Allocations**



Responsible Fiduciaries

- **Brief New Committee Members Prior to a Meeting**
- **Committee Member CD Includes:**
 - Plan Documents
 - Financial Reports
 - Points of Contacts
 - Fiduciary Responsibility Information



Responsible Fiduciaries

- **Ongoing Training Classes**
 - What is a fiduciary?
 - How to read an investment performance book
 - The Pension Protection Act
 - How to read an actuarial report 101



Summary

- **Best Practices**
 - Develop governance structure and processes
 - Consistently implement those processes
 - Use experts
 - Be able to respond quickly to a dynamic environment
 - Provide fiduciaries with the tools to do their job well



Thank You

Elaine M. Cone, CPA, QPA

Director of Benefits Accounting

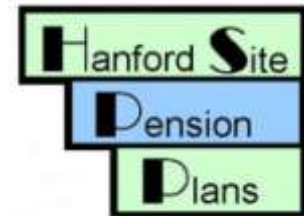
Fluor Hanford Finance

Office 509.372.3323 Cell 509.539.9898

Email: elaine_m_cone@rl.gov

Mail: PO Box 1000, MSIN H3-08

Richland, Washington 99352



FLUOR[®]



Reference

FLUOR[®]



Hanford Multi-Employer Pension Plan Basic Benefit Structure

- **Benefit Formula**
 - 1.6% X highest 60 months salary in the latest 120 months X years of benefit service
- **Three year vesting schedule**
- **Normal retirement age is 65**
- **Early retirement with reduced benefits is available at age 55 with 10 years of vesting service and with unreduced benefits at age 60 with 10 years of vesting service**
- **If choosing a lump sum benefit, the benefit is reduced from age 65**



Fluor Hanford Benefits Accounting Scope

- **Committee & Investment Sub-Committee Recommendations & Support**
- **Plan Document & Agreement Maintenance**
- **Compliance**
- **5500 Preparation**
- **Insurance Maintenance & Renewal – Fiduciary & Commercial Crime**
- **Audit Support**
- **Vendor Interface Including Monitoring & Contract Negotiations**
- **DOE Interface**
- **Education & Training**
- **2,500 Pension Calculations Annually**
- **59,000 Annuity Payments Annually, \$59M**
- **500 Lump Sum Payments Annually, \$40M**
- **Data Maintenance**
- **Actuarial Support**
- **Retiree Interface**
- **Hanford Employee Welfare Trust Rate Determination**
- **Premium and Third-Party Claims Processing Payment**
- **Monthly Billings for 1,000 Retirees Who Self-Pay Medical Insurance**
- **Financial Reporting**

