Hanford Site
Benefit Plans

Efforts to Monitor and Control Medical and Pension Benefit Expenses

Fluor Hanford
Fluor Hanford, Inc. administers pension benefits for 11 Hanford Site Contractors and medical benefits for nine Hanford Site Contracts who sponsor the Plans. While FH administers the Plans, DOE and the Committees governing the Plans are ultimately responsible for approving any changes to Plan provisions. Additionally, labor agreements with HAMTC and HGU dictate benefit provisions.
Plan Sponsors

- Bechtel Hanford, Inc.
- Bechtel National, Inc. (Pension Only)
- CH2M Hill Hanford Group, Inc.
- CH2M Hill Hanford, Inc.
- Day & Zimmermann dba Protection Technology Hanford
- Duratek Federal Services, Inc.
- Eberline Services, Inc.
- Energy Northwest, Inc.
- Fluor Hanford, Inc.
- Numatec Hanford, Inc.
- Pacific Northwest National Laboratory (Pension Only)

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Medical Costs (in millions)

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Actual 2000: 10.2%
Actual 2001: 10.8%
Actual 2002: 12%
Projected 2003: 12%

Retiree | Actives
Active Medical Costs

- Overall Cost in CY2002
  - $7,244 (Employer $6,829 / Employee $415)

- CIGNA PPO
  - $8,102 ($7,502/$600) 44%

- Options Point of Service – Group Health
  - $6,679 ($6,319 / $360) 33%

- HMO – Group Health
  - $6,648 ($6,468 / $180) 23%

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Retiree Medical Costs

- Overall Cost in CY2002**
  - $3,055 (Employer $2,540 / Retiree $515)

- Over age 65
  - $2,377 (Employer $2,047 / Retiree $330)

- Under age 65
  - $4,735 (Employer $3,762 / Retiree $973)

**96% are covered under self-insured Plans

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Enrollment By Type of Plan

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Average Medical Plan Costs

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Medical Costs Rising at Double Digit Pace

- Mercer Survey (large employers)
  - 2001 11.2%  2002 12.1%

- Towers Perrin Health Care Cost Survey
  - 2000 10%  2001 12%  2002 13%

- Watson Wyatt Survey
  - 2001 HMO 10.5%; POS 9.6%; PPO 9.1%
  - 2002 HMO 13.9%; POS 12.7%; PPO 13.7%

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Medical – What have we done?

- Pharmacy benefit manager
- Increase cost share to retirees
  - Moved from less than 10% to 25% Premium
  - Pre-1987 Retirees went from $9/year to $24/month
- Active population contribution increases
- Change in 3rd party administrator
- 3-tier drug benefits for retirees
- Working with union on medical cost reductions

Fluor Hanford
# HAMTC Rate Schedule

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
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</thead>
<tbody>
<tr>
<td><strong>PPO</strong></td>
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<tr>
<td>Employee</td>
<td>9.4%</td>
<td>10.36%</td>
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<td>8.68%</td>
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<tr>
<td>Employee</td>
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<td>7.64%</td>
<td>9.48%</td>
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<tr>
<td>Employee</td>
<td>5.8%</td>
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<tr>
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<td>5.48%</td>
<td>7.86%</td>
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<tr>
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<td>5.88%</td>
<td>8.16%</td>
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Fluor Hanford
# HAMTC Rate Schedule $

<table>
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<tr>
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<th>PPO</th>
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<th>2004</th>
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**Fluor Hanford** (Monthly)
## HAMTC Rate Schedule $

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*Fluor Hanford (Annual)*
IMPACT OF CHANGING THE PHARMACY PROGRAM

- PROJECTED 2002 COST W/O CHANGES: $16,750,000
- NEW PRICING STRUCTURE ( $ 1,300,000)
- PLAN DESIGN CHANGES (Retirees)

Estimated Retiree Drug Cost in CY2002

- Old two-tier structure $ 8,800,000
- New three-tier co-payment $ 7,400,000

Total ( $ 1,400,000)

ESTIMATED OVERALL IMPACT ($ 2,700,000)

ESTIMATED 2002 COST WITH CHANGES $14,050,000 = (16.1 %)

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HEWT Shift in Cost Sharing (millions)

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Change in 3rd Party Administrator

- RFP initiated May 2002
- Selected UnitedHealthcare
- Started January 1, 2003
- Est. Administration Cost Savings: $1.1M/yr
- Est. Claims Cost Savings over three years: $15 M

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Hanford FAS 106 Costs

Peaks in Year 2028 at $77.5M

PV of Total is $680M
Hanford Site Pension Plans

Three Step Process to Solidify Pension Plans and Reap Administrative Cost Savings

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Hanford Site Pension Plans

- 9 Sponsoring Contractors
- $750M in Plan Assets
- 8,000 Active Participants
- 8,800 Term Deferred and Retirees
- $4.2M monthly pension payroll
- $20M in annual lump sum distributions
Savings Actions Taken

- # 1 January 1, 2000, the Hanford Pension Trust was created to co-mingle funds for Investment purposes
  - Projected Life Cycle savings of $400M

- # 2 Merger of O&E and HAMTC Plans
  - Merge assets for funding purposes – FY2003 pension contribution reduced $3.5M

- # 3 Merger of the O&E/HAMTC and HGU Plan
  - HGU Plan is small – minimal funding impact

- Lump Sum Provision 1999
- Elimination of Enterprise Segment

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Plan Mergers

- Merged Plan to be “Multi-employer”
  - Plan under Title IV of ERISA
  - Estimated annual savings of $170K on PBGC premiums
  - Actual 2003 savings of $710K (eliminated variable premium)
  - Other Savings: Audit, Trustee, Actuarial, 5500

Fluor Hanford
Assets are down

<table>
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<tr>
<th></th>
<th>Hanford Funds</th>
<th>Hanford Policy Index</th>
<th>S&amp;P 500</th>
<th>Russell 2000</th>
<th>NASDAQ</th>
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Fluor Hanford
Est. Pension Contributions (millions)

'04-08 reduced by $11M each year as a result of eliminating the Enterprise segment