

Coalition of Oak Ridge Retired Employees (CORRE)

Presentation at Annual Meeting, October 17, 2011

“In Pursuit of Fairness”

Dub Shults, President

Introduction

Before I tell you about CORRE’s work during the past year, I want to recognize several people who retired from the Board since last year’s meeting:

1. Bob Keil served as Second Vice President of the Board for many years. It was very valuable to have a man with Bob’s experience and wisdom on the Board.
2. Pete Lotts was chair of our Governmental Affairs Committee over a period of eight of so years. He also wrote the original website and several others when updates were needed.
3. Keith Kibbe was our First Vice President and primary liaison with legislators for many years. He and his wife Judy, working with Pete, wrote and produced CORRE’s DVD, which was distributed widely.

Each of these people devoted much time and energy to CORRE. Needless to say, their contributions were invaluable. Altogether, they served on the Board more than twenty-five years.

Some of you may remember that I told a story during last year’s meeting about the trials and tribulations of a group of people which I called the POOR people. POOR was an acronym for Poor Ole Obsolete Retirees. The POOR people’s elected representatives, which were referred to as the POOR Reps, tried to get the government to help the POOR people. They tried several different times and in several different ways, but were stonewalled every time. So, in that story, the fiscal year ended, the POOR Reps were thwarted, and no help was forthcoming for the POOR people.

When I told that story last year, I said that it was intended to be a simple illustration of how things might happen in real life. The truth is that my little story was an allegory that hinted at what was really happening to us at this time last year. We had to communicate by allegory, because we had been asked not to reveal what was really happening.

So, the first thing I want to do today is to tell you what was going on last year, and what really happened. That will lead into the second thing I want to speak about today, namely, a major change in our priorities. Finally, I will tell you what we have been doing in pursuit of our new highest priority, which is fairness.

In last year's allegory, we are the POOR people, our elected officials are the POOR Reps, and the DOE is the Government. In real life, a team of our representatives led by Senator Alexander actively sought adjustments to our retirement benefits. Congressmen Wamp and Congressman Davis were part of the team. The strategy was to set aside funding to solve the two issues that CORRE has addressed for years: a pension adjustment, and a flat-rate cost for the Surviving Spouse Option. That money was to be set aside, with the understanding that it was to be used specifically to improve the benefits of Oak Ridge retirees. It was estimated that \$300M would be needed to correct both problems for retirees of all four prime contractors in Oak Ridge.

That strategy was intended to solve both problems without consuming operating funds of the local sites. Moreover, this approach would not add to the huge funding problems with retirement plans that exist at other sites around the DOE complex. Many, perhaps most, of those plans were under-funded at the time, and still are.

We were assured that the money was found and in place. We were told to be patient and say nothing about this plan, lest we somehow screw up the whole thing. This was the situation at the time of last year's Membership Meeting. We were optimistic that something good was about to happen, but we couldn't talk about it. We did our part...we were patient and we didn't say anything. However, the "something good" did not happen.

We aren't really sure what happened to the \$300M, but the best guess is that the funds were distributed among under-funded pension plans across the DOE complex. Little came to Oak Ridge, because our trusts have been relatively healthy for years. Under-funded plans at other sites attract any extra money. Under-funded plans also make it difficult to win adjustments in plans that are healthy. In essence, we are penalized because our trusts have been well managed and are relatively healthy.

So, the deal was signed, sealed, but not delivered. We believe we were very close to obtaining the adjustments we have requested, but adjustments were not forthcoming. We were back at square one...almost. I say "almost" because Senator Alexander made one more attempt. He negotiated pension monies into the START treaty to the tune of \$1B, i.e., \$200M per year for five years. The understanding was that Oak Ridge retirees would receive priority when those funds are distributed. However, I am doubtful that those funds will survive the current national focus on fiscal restraint.

Before going to Plan B, we need to recall some of the important circumstances of the last year or so:

1. Administration of the Y-12/ORNL retirement benefits was separated on September 1st last year. We now have to deal with four separate prime contractors in Oak Ridge: B&W Y-12, UT/Batelle, Wackenhut, and UCOR. This required developing working relationships with new people and to some extent adapting to new ways of doing business. The changes have gone smoothly and seem to be working well today.
2. The B&W Y-12 management contract came up for renewal, and the possibility of merging the managements of Y-12 and Pantex under a single contract surfaced.
3. Two new Congressmen were elected, both of whom are first-timers and focused on fiscal restraint. We also have several new State representatives.
4. Gerald Boyd retired as Manager of ORO. An interim manager was named to replace him at DOE's local office, and the new man promptly announced a reorganization plan. Ultimately, the plan was approved, and recently John Eschenberg was named Interim Manager at ORO.

5. The management of cleanup programs in Oak Ridge was moved from Bechtel Jacobs to UCOR.
6. The stock market improved a great deal early in the year, but went south when the national debt debate turned it upside down and wiped out the year's gains. Funding levels of our trusts track the market, of course.

Clearly, this has not been a good year to seek anything that costs money from the contractors or from DOE.

It was abundantly clear that requesting adjustments costing \$300M was simply impractical under the prevailing circumstances. We didn't want to do nothing, but we knew that any request had to be practical. Practical in the sense that it could be affordable to the contractors, yet truly beneficial to the retirees. Practical in the sense that granting it is unquestionably a "right thing" to do.

After considerable deliberation, our Strategy Committee decided that the best chance of getting some help is to separate our two requests and focus on the one that is most affordable. The committee recommended that we focus on correcting the inequity in costing the Surviving Spouse Option. Our basic need, an increase in pension for all retirees, would be set aside until the prevailing circumstances improve. The Board approved this strategy.

You will recall that our request is to set the cost of the Surviving Spouse Option to 2% of pension for all retirees, regardless of retirement date.. Presently, those who retired in or after July 2004 accept a pension reduction of 2% to pay for this benefit. Those who retired prior to July 2004 continue to have their pensions reduced by an amount ranging between 5 and 18%. It is a patently unfair situation. Pre-2004 retirees incur much higher cost than the post-2004 retirees do, *for the same benefit!*

You may wonder how this happened in the first place. We have been told...by contractor people who were in charge at the time and by DOE people...that the contractors simply forgot about retirees at the time the benefit was granted to active employees. They didn't omit us deliberately...they just forgot us. There is a message there. Part of our job today is to prevent such things from happening in the future.

Let me tell you why we believe this change in priority is appropriate under the present circumstances.

First of all, the cost is about one-sixth of the cost of the pension increase that we have pursued for the past ten years. We believe it is affordable in today's world.

Second, it would restore a significant part of the pension reduction that participating retirees have endured since retirement. It would feel like a raise.

Third, the amount of increase would average about 6% for retirees and about 3% for surviving spouses.

Fourth, it would benefit most the older retirees and spouses, those whose pensions are relatively small and who have been hurt most by inflation.

Fifth, it would assure that all retirees pay the same pension reduction, on a percentage basis, for the same benefit.

Finally, it differs from a blanket pension increase in that it is restoration of a portion of the retiree's original pension. It is distinct from DOE's complex-wide problem with under-funded pension plans.

Here are a couple of downsides to this approach.

First, only those who elected the Surviving Spouse Option would get the adjustment. That may seem unfair, but remember: those that didn't elect that Option have been getting full pension all along.

Second, adjustments are not free. The proposed adjustment would add to the liabilities of the four retirement trust funds. Trust funding levels would decrease about 1%, unless the contractors choose to compensate for the decrease by making equivalent contributions. To put this in context, a 1% decrease in funding level is comparable to daily fluctuations due to the ups and downs of the stock market. The cost of our request is in the noise level insofar as funding level is concerned.

We believe that this is the best, most reasonable request that we can make at the present time. It addresses a legitimate, long-standing, unfair practice. The cost is reasonable, and the benefits are great. It is directed at those who need it most.

We have to be realistic about this. Since we began to discuss our request with the contractors in June, the country has been torn apart by the debt crisis and the decline in the stock market. There is much uncertainty in future budgets and there is talk of staff reductions at the sites. The emphasis is on decreasing expenses. On the other hand, it is important to note that all of the contractors are contributing to their trusts now. They are committed to maintaining their pension trust levels above 80%, and they intend to get them to full funding, i.e., 100%, within the mandatory time limit. Wackenhut has already done that. The contractors are well aware of retiree issues. In my opinion, most of them would like to help us. The problem comes down to two things: money and DOE approval. Either or both can be used as an excuse for doing nothing.

Everyone knows that our former employers are world renowned problem solvers. We all know that the contractors could equalize the cost of the Surviving Spouse Option if they decided to do so. They may say that this is the wrong time to make an adjustment, but there is never a wrong time to do the right thing. Fixing the Surviving Spouse Option is without question a "right thing" to do. It may not be easy for them, but it can be done. Our request to them has been, and continues to be, "Find a Way" to fix this problem.

Conclusion:

I began this talk with a story, and I will end it with another. This one is personal and it is true.

I reported to work at ORNL on October 1, 1951, twenty-one years old and fresh out of school. I didn't have a clue what I was getting into. In those days, we reported in at Building 1000 at ORNL,

went through some paperwork and a medical exam, and then someone came to escort us to our work station. So, about 10:00 in the morning, a guy came for me. I came to know that guy really well over the years. He was a super employee. He knew his job, which was unique at the time. He was competent and responsible and conscientious. He did far more than what was legally required. It was more than a job to him.

I ran into that man and his wife a couple of weeks ago. He retired in 1988. They asked, as most people do, “when are you going to get us a raise?” So, we talked a bit about the situation and then she said something that really hit home. She said “we are having to live on a pension that is worth about half of what it was...and it wasn’t that much to start with.” Folks, I have to say that that is absolutely disgraceful. No matter who you are or how you cut it, it is simply disgraceful.

I tell you this because it conveys the real reason that CORRE exists and persists: deserving people need help. It would be so easy to get discouraged and simply give up, but we cannot do that. CORRE is the only advocate for all Oak Ridge retirees. At times, it may seem that we are going down on an up escalator, but we simply must get through these troublesome times and continue to press for what is right. That is why the CORRE Board has spent so much time and energy working on your behalf. Be assured that we will continue the work for you.

Before closing, I want to thank all of you for coming today:

- to our guests and visitors...thanks for your interest.
- to our representatives and their staff people, thanks for your understanding and willingness to help.
- to our contractor people...thanks for your open communication and willing response to our questions
- thanks to you members...for your continuing support.

The Board will remain down front to take questions and comments.