

United States Senate

WASHINGTON, DC 20510-3101

January 27, 2006

The Honorable Samuel Bodman
Secretary
Department of Energy
1000 Independence Avenue
Washington, D.C. 20585

Dear Secretary Bodman:

We are writing to make you aware of our deep concerns regarding the proposal by the University of California to separate the liabilities and assets of Los Alamos National Laboratory employees, including retirees, their dependents and inactive employees. We are opposed to your taking this action at this time -- there are too many unanswered questions at this point for the Department of Energy to proceed with such an irreversible action.

It was our understanding, and the understanding of the employees that their benefits would remain unchanged as part of the contract competition for Los Alamos operations. Unfortunately, within one month of the award, the President of the University of California Board of Regents has proposed separating the pension benefits and assets of the active LANL employees, as well as the retirees and their dependents, from the University of California Retirement System plan (UCRP).

While we understand that the retirees' assets and benefits will continue to be managed by the UCRP, it will be a separate, stand-alone plan and will no longer enjoy the same actuarial protection provided as part of the larger UCRP asset pool. In fact, based on a recent actuarial valuation report performed on July 1, 2005, the LANL asset base is underfunded by \$54.3 million. This is down from 106.6 to 98.7 percent of the total liability, and represents a contrast to the larger and healthier funding profile for the UCRP which is 110 percent funded. As such, the Department may be required to contribute additional funding to the LANL plan, an action that has not been required for over a decade, and which may draw further on science investment we make at the lab. At a time of tight federal budgets, it makes little sense to take such action.

The Regents have proposed taking this action to meet the Department of Energy's expressed intent to create separate administration for NNSA-funded plans. Given the stellar track record of UC's management of this plan, employees and retirees have expressed deep concerns over the uncertainty presented by the proposed changes in plan management.

The Honorable Samuel Bodman
January 27, 2006
Page 2

Based on the specificity of the recent actuarial valuation report performed on July 1, 2005, which clearly identifies all active, inactive, and retired individuals and level of benefits, we believe the Department will be able to clearly capture and manage the retirement obligations for LANL retirees without taking the unnecessary step of separating the pension benefits from the UCRP.

We urge you to reject the request made by the University of California Board of Regents to segregate and spin off liabilities and assets. Before any formal action is taken, questions need to be answered, and the concerns of employees and retirees need to be addressed.

We appreciate your consideration of this important matter and would be pleased to work with you to find a more acceptable solution that will not negatively impact the hard-earned retirement benefits of the Los Alamos employees.

Sincerely,



Pete V. Domenici
United States Senator



Jeff Bingaman
United States Senator