

ANNUAL FUNDING NOTICE  
For  
**The Retirement Program Plan for Employees of Certain Employers at the U.S.  
Department of Energy Facilities at Oak Ridge, Tennessee**

Introduction

This notice includes important funding information about your pension plan (“the Plan”). This notice also provides a summary of federal rules governing the termination of defined benefit pension plans and of benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency. This notice is for the plan year beginning January 1, 2008 and ending December 31, 2008.

Funding Target Attainment Percentage

The funding target attainment percentage of a plan is a measure of how well the Plan is funded on a particular date. This percentage for a plan year is obtained by dividing the Plan’s Net Plan Assets by Plan Liabilities on the Valuation Date. In general, the higher the percentage, the better funded the Plan. The Plan’s funding target attainment percentage for the 2008 Plan Year is shown in the chart below, along with a statement of the value of the Plan’s assets and liabilities for the same period.

	Total 2008 Plan Year	B&W Y-12 2008 Plan Year	UT-Battelle 2008 Plan Year
1. Valuation Date	1/1/2008	1/1/2008	1/1/2008
2. Plan Assets			
a. Total Plan Assets	\$3,258,201,884	\$1,777,102,469	\$1,481,099,415
b. Funding Standard Carryover Balance	\$126,337,332	\$74,607,525	\$51,729,807
c. Prefunding Balance	\$0	\$0	\$0
d. Net Plan Assets (a) – (b) – (c) = (d)	\$3,131,864,552	\$1,702,494,944	\$1,429,369,608
3. Plan Liabilities	\$2,777,812,746	\$1,524,501,632	\$1,253,311,114
4. At-Risk Liabilities	N/A	N/A	N/A
5. Funding Target Attainment Percentage (2d)/(3)	112.75%	111.68%	114.05%

Information About 2006 and 2007 Plan Years

Transition Data for 2007 & 2006 Plan Years: The Plan is not required by law to report certain funding related information because such information may not exist for plan years before 2008. However, the Plan is providing you with comparable information that reflects the funding status of the Plan under the law then in effect.

Total: For 2007, the Plan's funding target attainment percentage determined under IRS transitional rules as of January 1, 2007 was 114.27% with the credit balance excluded from plan assets. The Plan's assets were \$3,113,889,517 (\$2,996,910,506 with the credit balance excluded) and the Plan's liabilities were \$2,622,637,336. For 2006, as of January 1, 2006 the

Plan's "funded current liability percentage" was 116.18% with the credit balance excluded from plan assets. The Plan's assets were \$2,943,401,506 (\$2,835,087,607 with the credit balance excluded) and the Plan's liabilities were \$2,440,194,515.

B&W Y-12: For 2007, the Plan's funding target attainment percentage determined under IRS transitional rules as of January 1, 2007 was 113.49% with the credit balance excluded from plan assets. The Plan's assets were \$1,713,607,161 (\$1,644,526,119 with the credit balance excluded) and the Plan's liabilities were \$1,449,033,604. For 2006, as of January 1, 2006 the Plan's "funded current liability percentage" was 115.27% with the credit balance excluded from plan assets. The Plan's assets were \$1,630,181,953 (\$1,566,218,025 with the credit balance excluded) and the Plan's liabilities were \$1,358,745,105.

UT-Battelle: For 2007, the Plan's funding target attainment percentage determined under IRS transitional rules as of January 1, 2007 was 115.23% with the credit balance excluded from plan assets. The Plan's assets were \$1,400,282,356 (\$1,352,384,387 with the credit balance excluded) and the Plan's liabilities were \$1,173,603,732. For 2006, as of January 1, 2006 the Plan's "funded current liability percentage" was 117.33% with the credit balance excluded from plan assets. The Plan's assets were \$1,313,219,553 (\$1,268,869,582 with the credit balance excluded) and the Plan's liabilities were \$1,081,449,410.

#### Credit Balances

Credit balances were subtracted from the Plan's assets before calculating the funding target attainment percentage in the above calculations. While pension plans are permitted to maintain credit balances (called "funding standard carryover balance" or "prefunding balance") for funding purposes, such credits may not be taken into account when calculating a plan's funding target attainment percentage. A Plan might have a credit balance, for example, if in a prior year an employer made contributions at a level in excess of the minimum level required by law. Generally, the excess payments are counted as "credits" and may be applied in future years toward the minimum level of contributions a plan sponsor is required by law to make to the Plan in those years. The total Plan assets (without subtracting credit balances) as a percentage of Plan liabilities is 117.29% (116.57% for B&W Y-12 and 118.17% for UT-Battelle) as of January 1, 2008.

#### Fair Market Value of Assets as of December 31, 2008

Asset values in the above calculations are actuarial values, not market values. Because market values fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values for funding purposes. While actuarial values fluctuate less than market values, they are estimates.

Total: As of December 31, 2008, the fair market value of the Plan's assets was \$2,471,041,011. On this same date, the Plan's estimated liabilities were \$2,666,092,319. The funded status of the plan is 92.68% on the basis described in this paragraph.

B&W Y-12: As of December 31, 2008, the fair market value of the Plan's assets was \$1,425,024,280. On this same date, the Plan's estimated liabilities were \$1,453,551,031. The funded status of the plan is 98.04% on the basis described in this paragraph.

UT-Battelle: As of December 31, 2008, the fair market value of the Plan's assets was \$1,046,016,731. On this same date, the Plan's estimated liabilities were \$1,212,541,288. The funded status of the plan is 86.27% on the basis described in this paragraph.

Participant Information

Total: The total number of participants in the Plan as of the Plan's valuation date was 23,873. Of this number, 9,127 were active participants, 12,138 were retired or separated from service and receiving benefits, and 2,608 were retired or separated from service and entitled to future benefits.

B&W Y-12: The total number of participants in the Plan as of the Plan's valuation date was 14,255. Of this number, 4,750 were active participants, 7,867 were retired or separated from service and receiving benefits, and 1,638 were retired or separated from service and entitled to future benefits.

UT-Battelle: The total number of participants in the Plan as of the Plan's valuation date was 9,618. Of this number, 4,377 were active participants, 4,271 were retired or separated from service and receiving benefits, and 970 were retired or separated from service and entitled to future benefits.

Funding & Investment Policies

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan objectives. A funding policy relates to the level of contributions needed to pay for promised benefits. The funding policy of the Plan is to fund at least the minimum required under applicable laws.

Once money is contributed to the Plan, the money is invested by plan officials called fiduciaries. Specific investments are made in accordance with the Plan's investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries who are responsible for plan investments with guidelines or general instructions concerning various types or categories of investment management decisions. The investment policy of the Plan is to produce income sufficient to meet all obligations as they come due through an emphasis on high quality securities and the maintenance of prudent risk parameters, including diversification of investment approaches, investment managers, asset classes and individual security holdings.

In accordance with the Plan's investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

<b>Asset Allocations</b>	
1. Interest-bearing cash	
2. U.S. Government securities	25%
3. Corporate debt instruments (other than employer securities):	
Preferred	10%
All other	2%
4. Corporate stocks (other than employer securities):	
Preferred	
Common	34%
5. Partnership/joint venture interests	6%

6. Real estate (other than employer real property)	_____
7. Loans (other than to participants)	_____
8. Participant loans	_____
9. Value of interest in common/collective trusts	18%
10. Value of interest in pooled separate accounts	4%
11. Value of interest in master trust investment accounts	_____
12. Value of interest in 103-12 investment entities	_____
13. Value of interest in registered investment companies (e.g., mutual funds)	_____
14. Value of funds held in insurance co. general account (unallocated contracts)	_____
15. Employer-related investments:	
Employer Securities	_____
Employer real property	_____
16. Buildings and other property used in plan operation	_____
17. Other	1%

### Right to Request a Copy of the Annual Report

A pension plan is required to file with the US Department of Labor an annual report (i.e., Form 5500) containing financial and other information about the plan. Copies of the annual report are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator. You may also view this information by going online at <http://www.y12.doe.gov/jobs/benefits/annualreport.php>

### Summary of Rules Governing Termination of Single-Employer Plans

Employers can end a pension plan through a process called "plan termination." There are two ways an employer can terminate its pension plan. The employer can end the plan in a "standard termination" but only after showing the PBGC that the plan has enough money to pay all benefits owed to participants. The plan must either purchase an annuity from an insurance company (which will provide you with lifetime benefits when you retire) or, if your plan allows, issue one lump-sum payment that covers your entire benefit. Before purchasing your annuity, your plan administrator must give you advance notice that identifies the insurance company (or companies) that your employer may select to provide the annuity. The PBGC's guarantee ends when your employer purchases your annuity or gives you the lump-sum payment.

If the plan is not fully-funded, the employer may apply for a distress termination if the employer is in financial distress. To do so, however, the employer must prove to a bankruptcy court or to the PBGC that the employer cannot remain in business unless the plan is terminated. If the application is granted, the PBGC will take over the plan as trustee and pay plan benefits, up to the legal limits, using plan assets and PBGC guarantee funds.

Under certain circumstances, the PBGC may take action on its own to end a pension plan. Most terminations initiated by the PBGC occur when the PBGC determines that plan termination is needed to protect the interests of plan participants or of the PBGC insurance program. The PBGC can do so if, for example, a plan does not have enough money to pay benefits currently due.

## Benefit Payments Guaranteed by the PBGC

If a pension plan terminates without enough money to pay all benefits, the PBGC will take over the plan and pay pension benefits through its insurance program. Most participants and beneficiaries receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits that are not guaranteed.

The PBGC pays pension benefits up to certain maximum limits. The maximum guaranteed benefit is \$4,500 per month, or \$54,000 per year, payable in the form of a straight life annuity, for a 65-year-old person in a plan that terminates in 2009. The maximum benefit may be reduced for an individual who is younger than age 65. The maximum benefit will also be reduced when a benefit is provided to a survivor of a plan participant.

The PBGC guarantees “basic benefits” earned before a plan is terminated, which includes:

- pension benefits at normal retirement age;
- most early retirement benefits;
- annuity benefits for survivors of plan participants; and
- disability benefits for a disability that occurred before the date the plan terminated.

The PBGC does not guarantee certain types of benefits:

- The PBGC does not guarantee benefits for which you do not have a vested right when a plan terminates, usually because you have not worked enough years for the company.
- The PBGC does not guarantee benefits for which you have not met all age, service, or other requirements at the time the plan terminates.
- Benefit increases and new benefits that have been in place for less than one year are not guaranteed. Those that have been in place for less than five years are only partly guaranteed.
- Early retirement payments that are greater than payments at normal retirement age may not be guaranteed. For example, a supplemental benefit that stops when you become eligible for Social Security may not be guaranteed.
- Benefits other than pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay, are not guaranteed.
- The PBGC generally does not pay lump sums exceeding \$5,000.

Even if certain benefits are not guaranteed, participants and beneficiaries still may receive some of those benefits from the PBGC depending on how much money the terminated plan has and how much the PBGC collects from the employer.

## Where to Get More Information

For more information about this notice, you may contact Babcock & Wilcox Technical Services Y-12, LLC at 574-1500 or 1-877-861-2255, or the principal administrative officer via email at [benefits@y12.doe.gov](mailto:benefits@y12.doe.gov). For identification purposes, the official plan number is 001 and the plan sponsor’s employer identification number or “EIN” is 54-1987297. For more information about the PBGC and benefit guarantees, go to PBGC’s website, [www.pbgc.gov](http://www.pbgc.gov), or call PBGC toll-free at 1-800-400-7242 (TTY/TDD users may call the Federal relay service toll free at 1-800-877-8339 and ask to be connected to 1-800-400-7242).