



NATIONAL ASSOCIATION OF POLICE ORGANIZATIONS, INC.

Representing America's Finest

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EXECUTIVE OFFICERS

May 11, 2007

THOMAS J. NEE
President

*Boston Police
Patrolmen's Association*

VIA ELECTRONIC MAIL

United States Department of Energy
Office of Procurement and Assistance Management

1000 Independence Avenue, S.W.

Washington, D.C. 20585

contractorpensions@hq.doe.gov

Re: Request for Public Comment on Department of Energy Contractor Employee Pension and Medical Benefits Challenge

MICHAEL J. PALLADINO

*Executive Vice President
Detectives' Endowment
Association of New York City*

MICHAEL J. MADONNA

*Recording Secretary
New Jersey State Policemen's
Benevolent Association*

SEAN M. SMOOT

*Treasurer
Police Benevolent & Protective
Association of Illinois*

Dear Sir or Madam:

On behalf of the National Association of Police Organizations (NAPO), representing over 2,000 state and local law enforcement units and associations from across the United States, I am writing in response to the Request for Public Comment on the Department of Energy (DOE) Contractor Employee Pension and Medical Benefits Challenge. Specifically, I wish to voice our strong opposition to any changes to the current program that would deny reimbursement of contractor costs associated with defined benefit (DB) pension plans for new employees, as proposed in DOE Notice 351.1 (April 2006).

JAKE JACOBSEN

*Sergeant-at-Arms
Phoenix Law
Enforcement Association*

There are several reasons for NAPO's opposition to the proposed policy. First, it is NAPO's belief, as a matter of public policy, that it is outside the purview of the DOE or any government entity what the contractor does with the money it is paid pursuant to an agreed-upon contract, as long as it is not illegal. The DOE should not restrict a contractor's decision to use any part of its contracted earnings for the service it is providing to fund a DB plan, or any type of employee benefit for that matter. The only concern for the DOE should be whether the contractor is effectively providing the services as agreed to in the contract.

NATIONAL HEADQUARTERS

WILLIAM J. JOHNSON

Executive Director

Second, the DOE's proposal would effectively force public and private entities who desire to continue contracting with the Department to use defined contribution (DC) plans as their only retirement plan for all future employees associated with the performance of such work. A major consequence of this shift would be the loss of an important recruiting tool for public employers – mainly the DB model. Public employers often find it necessary or simply expedient to provide ample benefits to its employees because they find that is the best way to attract and retain the most qualified, experienced and trained personnel.

For instance, survivor and disability benefits, staples of public sector DB plans, are particularly important to public employees due to the high risk associated with many jobs. Such retirement benefits for survivors or workers who become disabled, if provided through private insurance – which would be required if individual retirement accounts were the only pension benefit available – would be much more expensive and potentially less comprehensive as a result.

The loss of such benefits as a tool to recruit new employees not only would hamper the contractor's ability to hire and retain the best people, but it would also lessen the competitiveness of their business. It would foreclose federal taxpayers from utilizing the best available people simply because those persons have fled to private sector employers that have freely decided to provide a competitive package.

Lastly, there is no legitimate economic rationale for the change. The provision of DB plans by DOE contractors is not an additional cost to the Department. However, the termination or freezing of contractor DB plans would increase transition costs, employee turnover and training expenses at a time when many government agencies and public employers are attempting to retain institutional knowledge.

The DOE's April 2006 proposal threatens to undermine the financial stability of Federal contractors' existing DB pension plans, as well as restrict the ability of employers to fashion retirement plans that best address their unique needs and those of their workforce. Finally, it would lessen the competitiveness of government contractors with the private sector in attracting the best employees critical to the continuous and reliable delivery of vital public services.

NAPO strongly urges that this policy be rejected. Please feel free to contact me at (202) 842-4420 if you have any questions or require further information.

Sincerely,

A handwritten signature in black ink, appearing to read "William J. Johnson", with a long horizontal flourish extending to the right.

William J. Johnson
Executive Director