Annual Funding Notice:

Cover Letter for Participants of The Retirement Program Plan for Employees of Consolidated Nuclear Security, LLC at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

April 15, 2015

Dear Plan Participant:

Attached is an Annual Funding Notice for The Retirement Program Plan for Employees of Consolidated Nuclear Security, LLC at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee ("the Plan") as of December 31, 2014.

What this Notice is about and Why You Are Receiving it

This notice provides important information about your Plan benefits. We are sending you this information in order to comply with the *Pension Protection Act of 2006* (the PPA). The PPA requires that all employers who sponsor a "defined benefit" pension plan send out an Annual Funding Notice. If you are a participant in more than one defined benefit pension plan, you should expect to receive a notice from each plan sponsor. As required by the PPA, the attached Annual Funding Notice includes:

- Administrative facts about the Plan
- A summary of Plan participants (active employees, former employees/beneficiaries who have earned a right to receive a benefit from the Plan and retirees/beneficiaries who are currently receiving Plan benefits)
- Information about the funding of benefits under the Plan
- Information about funding and investment policies and the allocation of Plan assets
- A description of what would happen if the Plan was terminated or could not meet its financial obligations at some point in the future
- An overview of the role of the Pension Benefit Guaranty Corporation (the "PBGC"). The PBGC insures the Plan so that a basic level of benefits will be paid if the Plan is terminated or if the Plan is not adequately funded to pay earned benefits.

In keeping with PPA requirements, this Annual Funding Notice is being provided to all Plan participants and their beneficiaries, and union representatives. This Annual Funding Notice provides information about the funded status of the Plan as of December 31, 2014. It was prepared to comply with the Pension Protection Act of 2006. All defined benefit plans, regardless of their funded status, must provide an Annual Funding Notice to Plan participants. The Plan has met and plans to continue to meet all federal minimum funding requirements.

What it Means to Be in a Defined Benefit Pension Plan

The Plan is a defined benefit plan. In a defined benefit pension plan, pension benefit payments are determined based on a Plan formula and other provisions that take into account such factors as years of service, age and earnings. Benefits for each participant are paid from Plan assets, which are held in a pension trust. Unlike a 401(k) plan, there are no separate accounts for individual participants. Therefore, the benefits payable to participants in a given year are not based on increases or decreases in assets in that year.

Contributions to the Plan trust are made by the Employer. In addition, as of January 1, 2015, active plan participants who are not subject to a bargaining agreement are required to contribute to the Plan trust. We continue to monitor and contribute to the trust so that we can meet Plan commitments. We hire independent actuaries to determine the minimum amount of employer contributions to the trust that are required under federal law each year.

An important aspect of a defined benefit pension plan is the oversight provided by the Pension Benefit Guaranty Corporation. Annual insurance premiums are paid by the Plan to the PBGC, which guarantees that at least a portion of "vested" benefits will be paid from the trust if the Plan is terminated with insufficient funds to cover all Plan benefits. Vested benefits are those you are entitled to receive from the Plan based on your current age and service. As required under the PPA, the attached notice gives you more information about how the PBGC helps protect your pension benefit. **Please understand that the PBGC plan termination information in the Annual Funding Notice is provided solely to comply with the PPA and should not be interpreted as an intent to terminate the Plan.**

About the Funding of Plan Benefits

One of the primary objectives of the Annual Funding Notice is to let you know how the current level of Plan assets compares to the present value of the benefits earned to date (the Plan liabilities). The Notice is intended to provide this information for a three year period.

Plan liabilities, calculated as required for purposes of the Annual Funding Notice, exceeded Plan assets as of December 31, 2014.

Under federal law, in situations where plan assets fall well short of plan liabilities, a plan may become subject to restrictions on benefit accruals, certain accelerated forms of payment and plan amendments that would increase benefits. Note that for purposes of determining whether these restrictions apply, plan liabilities are calculated on a different basis than the liabilities shown in the Annual Funding Notice. We are pleased to report that none of the restrictions described above apply to the Plan at this time. The employer is committed to funding the Plan to a level where restrictions will not be required.

What You Need to Do

You do not need to take any action as a result of receiving the attached Annual Funding Notice. It has been sent to you for informational purposes only to comply with federal law.

For More Information about Your Pension Benefits

If you have questions about the attached Annual Funding Notice, please call the OneCall Service Center at 1-877-861-2255 or 865-574-1500 to speak with a representative Monday through Thursday from 7 a.m. to 5 p.m. You may also email your question to us at benefits@y12.doe.gov. For general questions about the Plan, read the Summary Plan Description (SPD) and Supplements, contained within your Active or Retiree Book of Benefits, or online at https://homel.y12.doe.gov/benefits/retirement planning.php .

1. Why am I receiving this notice?

Under the Pension Protection Act of 2006 (PPA), employers who sponsor defined benefit pension plans are required to distribute an Annual Funding Notice. This requirement became effective in 2009 for the 2008 plan year. This notice relates to the 2014 plan year.

2. Who is required to receive this notice?

By law, the Employer must annually provide this Annual Funding Notice to all Plan participants and beneficiaries, and any collective bargaining unit that represents Plan participants. While the Pension Benefit Guaranty Corporation (the "PBGC") is generally required to receive the Annual Funding Notice, many employers are exempted from providing it until the PBGC requests to receive one.

3. What is the purpose of the Annual Funding Notice?

The Annual Funding Notice is designed to provide you with certain information related to the Plan's funded status. In addition, the Annual Funding Notice contains a summary of the rules that apply if a plan is terminated.

4. When must the notice be distributed?

The Annual Funding Notice must be distributed within 120 days after the close of the Plan year to which it relates. Since our Plan year ends on December 31, we are required by law to send this notice for the 2014 Plan year by April 30, 2015.

5. Who determines whether the Plan is adequately funded?

The Employer hires independent actuaries who have the necessary credentials to certify the Plan's minimum pension funding requirements. Actuaries must meet continuing education requirements and are subject to professional standards. The Plan's actuaries perform a "valuation" each year to determine the minimum funding requirements for the Plan. The Employer makes contributions to the Plan's trust fund taking into account the outcome of these annual valuations.

6. Does receipt of this notice mean that the Plan is underfunded?

No. The Annual Funding Notice must be provided regardless of the Plan's actual financial condition or level of funding. Accordingly, the funded status, guaranteed payment, and plan termination information contained in the Annual Funding Notice is provided solely to comply with the PPA, regardless of the funded position of the Plan. This information is not intended to suggest that these conditions apply to the Plan.

7. Does this notice apply to my 401(k) Savings Program account?

No. The Annual Funding Notice applies only to The Retirement Program Plan for Employees of Consolidated Nuclear Security, LLC at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee. It does not apply to the defined contribution plan, The Savings Program for Employees of Consolidated Nuclear Security, LLC at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee.

8. What happens if the actuarial valuation shows that a pension plan is under-funded?

When a plan is under-funded, restrictions may apply to benefit increases, plan amendments, and the forms of payment available under the plan. In addition, plans with a funding shortfall are required to pay increased premiums to the PBGC. Generally, plan sponsors are required to make up funding shortfalls over no more than seven years. As stated above, the Employer continues to make required contributions and none of the restrictions mentioned apply.

9. Is it possible for a pension plan to be over-funded? If so, what happens to the funds?

Yes, a pension plan can be over-funded. In this case, excess plan assets generally reduce the amount of future company contributions. If the Plan is terminated and all benefits have been distributed and excess assets remain, those excess assets would revert to The Department of Energy.

10. The liabilities and assets as of January 1, 2014 on this year's Notice are different than the amounts shown as of December 31, 2013 in last year's Notice. Shouldn't they be the same?

The amounts that were reported last year were estimates prepared before the 1/1/2014 actuarial valuation results became available. Factors that may have changed in the actuarial valuation include an updated census, changes in interest rates, any contributions to the Plan made after the notice date and the smoothing (averaging) of investment returns.

11. How is my benefit determined under the Plan?

You can find the pension formula and other important Plan provisions in your Summary Plan Description (your "Book of Benefits.") or online at http://www.yl2.doe.gov/employees-retirees/retiree-book-benefits

You will also find an example that shows how the formula is applied.

12. How can I find out the amount of my own Plan benefit?

Active employees access the Pension Projection System using the Y-12 internal website. Search online at https://homel.y12.doe.gov/benefits/retirement planning.php, and select "Pension Estimates".

13. Do I need to take action?

No. You do not need to take any action at this time.

1. **Actuarial Value of Assets –** a value of assets that reflects averaged (or smoothed) investment returns over a period of time. The actuarial value is used to calculate required plan contributions.

2. **Actuary –** an individual trained to measure the financial impact of contingent events. For pension plan purposes, actuaries calculate the present value of future plan benefits and determine the federal minimum funding requirements for the plan. Actuaries who work with U.S. tax-qualified pension plans must meet certain educational and experience requirements and be licensed by the government.

3. **Credit Balances –** accumulated amount of pension plan contributions (with investment income) in excess of the minimum required contribution amount. Beginning in 2008, only excess contributions designated by the Company create credit balances. Credit balances can either be Funding Standard Carryover Balances or Pre-funding Balances (see below). Credit balances do not reduce the amount of actual plan assets, but can be used to satisfy future contribution requirements.

4. **Fiduciaries –** individuals with the authority to make decisions about plan assets. By law, fiduciaries must make decisions based entirely on the best interests of plan participants. The fiduciaries for the pension plan for the purpose of Plan investment oversight are members of the Retirement and Savings Plan Committee, appointed by the participating employer's Board of Managers.

5. **Funding Standard Carryover Balance –** credit balance created by company contributions in excess of the minimum required contribution amount before the existence of the Pension Protection Act (PPA).

6. **Funding Target –** a calculation of a plan's liability for the benefits participants have earned in a plan. The Funding Target is calculated using interest rates and mortality rates prescribed by the Internal Revenue Service and other assumptions selected by the plan actuary (such as the age at which participants will retire and the likelihood that participants will remain employed until retirement). The plan actuary selects the non-prescribed assumptions from the actuary's best estimate range of assumptions. Different assumptions selected from within that range would produce different measures of the plan's Funding Target, and therefore result in a different funding target attainment percentage.

7. **Funding Target Attainment Percentage (FTAP) –** a comparison of the pension plan's assets (after subtracting credit balances) and Funding Target at a particular point in time. The plan's FTAP is higher when it is calculated without subtracting the credit balances from plan assets.

8. **Highway and Transportation Funding Act of 2014 (HATFA) –** a federal funding and authorization bill signed into law on August 8, 2014. The bill includes provisions addressing the interest rates a pension plan may use to measure liabilities. The pension related provisions of HATFA are an extension of the pension related provisions contained in the Moving Ahead for Progress in the 21st Century Act (MAP-21).

9. **Market Value of Assets –** the actual value of assets reported by the plan trustee, adjusted for plan receivables and payables.

10. **Moving Ahead for Progress in the 21st Century Act (MAP-21) –** a federal funding and authorization bill signed into law on July 6, 2012. The bill includes provisions addressing the interest rates a pension plan may use to measure liabilities.

11. **Net Plan Assets –** total pension plan assets not including any credit balances. Credit balances do not reduce the amount of assets actually available to pay plan benefits. Credit balances, can, however, be used to offset future required contribution amounts.

12. **Plan Liabilities –** another measure of the liabilities for benefits earned by participants. Plan liabilities as of the end of the 2014 plan year are shown in the Annual Funding Notice. The plan liabilities shown in the Annual Funding Notice are calculated using interest rates and mortality rates prescribed by the Department of Labor, and other assumptions used in calculating the most recent FTAP.

13. **Pension Benefit Guaranty Corporation (PBGC) –** a federal agency that guarantees a basic level of benefits if a plan is terminated and not adequately funded to pay accrued benefits. The Plan pays a fixed annual premium to the PBGC for each plan participant. An additional premium may be required if the Plan is not fully funded.

14. **Plan Administrator –** the individual, group or corporation responsible for day-to-day operations of the Plan. The plan administrator for The Retirement Program Plan for Employees of Consolidated Nuclear Security, LLC at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee is Consolidated Nuclear Security, LLC.

15. **Pre-funding Balance –** credit balance created by company contributions in excess of the minimum required contribution amount following adoption of the Pension Protection Act (PPA).

Supplement to Annual Funding Notice of The Retirement Program Plan for Employees of Consolidated Nuclear Security, LLC at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee (Plan) for Plan Year Beginning January 1, 2014 and Ending December 31, 2014 (Plan Year)

This is a temporary supplement to your annual funding notice which is required by the Moving Ahead for Progress in the 21st Century Act and the Highway and Transportation Funding Act of 2014. These federal laws changed how pension plans calculate their liabilities. The purpose of this supplement is to show you the effect of these changes. Prior to 2012, pension plans determined their liabilities using a two-year average of interest rates. Now pension plans also must take into account a 25-year average of interest rates. This means that interest rates likely will be higher and plan liabilities lower than they were under prior law. As a result, your employer may contribute less money to the plan at a time when market interest rates are at or near historical lows.

The “Information Table” compares the impact of using interest rates based on the 25-year average (the “adjusted interest rates”) and interest rates based on a two-year average on the Plan’s: (1) Funding Target Attainment Percentage, (2) Funding Shortfall, and (3) Minimum Required Contribution. The funding target attainment percentage is a measure of how well the plan is funded on a particular date. The funding shortfall is the amount by which liabilities exceed net plan assets. The minimum required contribution is the amount of money an employer is required by law to contribute to a plan in a given year. The following table shows this information determined with and without the adjusted interest rates. The information is provided for the Plan Year and for each of the two preceding plan years, if applicable.

Information Table

	Plan Year Beginning 2014		**Plan Year Beginning 2013**		**Plan Year Beginning 2012**	
	With Adjusted Interest Rates	**Without Adjusted Interest Rates**	**With Adjusted Interest Rates**	**Without Adjusted Interest Rates**	**With Adjusted Interest Rates**	**Without Adjusted Interest Rates**
Funding Target Attainment Percentage	100.21%	79.68%	93.94%	80.93%	96.43%	82.40%
Funding Shortfall	$0	$450,913,618	$102,833,285	$375,606,059	$55,662,783	$321,972,328
Minimum Required Contribution	$41,892,540	$130,894,223	$58,554,910	$111,012,188	$47,817,024	$94,345,700

Annual Funding Notice
For
The Retirement Program Plan for Employees of Consolidated Nuclear Security, LLC at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

Introduction

This notice includes important information about the funding status of your single-employer pension plan (the "Plan"). It also includes general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"), a federal insurance agency. All traditional pension plans (called "defined benefit pension plans") must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is required by federal law. This notice is for the plan year beginning January 1, 2014 and ending December 31, 2014 ("Plan Year").

How Well Funded Is Your Plan

The law requires the administrator of the Plan to tell you how well the Plan is funded, using a measure called the "funding target attainment percentage." The Plan divides its Net Plan Assets by Plan Liabilities to get this percentage. In general, the higher the percentage, the better funded the plan. The Plan's funding target attainment percentage for the Plan Year and two preceding plan years is shown in the chart below. The chart also shows you how the percentage was calculated.

Funding Target Attainment Percentage

	Plan Year Beginning in 2014	**Plan Year Beginning in 2013**	**Plan Year Beginning in 2012**
1. Valuation Date	January 1, 2014	January 1, 2013	January 1, 2012
2. Plan Assets			
a. Total Plan Assets	$1,778,116,676	$1,603,576,235	$1,507,424,725
b. Funding Standard Carryover Balance	$0	$0	$0
c. Prefunding Balance	$9,967,213	$9,012,762	$0
d. Net Plan Assets (a) – (b) – (c) = (d)	$1,768,149,463	$1,594,563,473	$1,507,424,725
3. Plan Liabilities	$1,764,331,654	$1,697,396,758	$1,563,087,508
4. Funding Target Attainment Percentage (2d)/(3)	100.21%	93.94%	96.43%

Plan Assets and Credit Balances

The chart above shows certain "credit balances" called the Funding Standard Carryover Balance and Prefunding Balance. A plan might have a credit balance, for example, if in a prior year an employer contributed money to the plan above the minimum level required by law. Generally, an employer may credit the excess money toward the minimum level of contributions required by law that it must make in future years. Plans must subtract these credit balances from Total Plan Assets to calculate their Funding Target Attainment Percentage.

Plan Liabilities

Plan Liabilities in line 3 of the chart above is an estimate of the amount of assets the Plan needs on the Valuation Date to pay for promised benefits under the plan.

Year-End Assets and Liabilities

The asset values in the chart above are measured as of the first day of the Plan Year. They also are "actuarial values." Actuarial values differ from market values in that they do not fluctuate daily based on changes in the stock or other markets. Actuarial values smooth out those fluctuations and can allow for more predictable levels of future contributions. Despite the fluctuations, market values tend to show a clearer picture of a plan's funded status at a given point in time. As of December 31, 2014, the fair market value of the Plan's assets was $1,999,127,175. On this same date, the Plan's liabilities, determined using market rates, were $2,273,409,181.

Participant Information

The total number of participants and beneficiaries covered by the Plan on the Valuation Date was 13,814. Of this number, 4,743 were current employees, 8,055 were retired and receiving benefits, and 1,016 were retired or no longer working for the employer and have a right to future benefits.

Funding & Investment Policies

Every pension plan must have a procedure to establish a funding policy for plan objectives. A funding policy relates to how much money is needed to pay promised benefits. The current funding policy of the Plan is to contribute no less frequently than annually an amount at least equal to the minimum contribution required by law. Consolidated Nuclear Security, LLC may, at its discretion, contribute amounts in excess of the minimum required contribution, but not more than the maximum tax deductible level allowed.

Pension plans also have investment policies. These generally are written guidelines or general instructions for making 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.

Under the 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:

Asset Allocations	Percentage
Stocks	41.4%
Investment grade debt instruments	48.0%
High-yield debt instruments	0.0%
Real estate	3.1%
Other	7.5%

Right to Request a Copy of the Annual Report

Pension plans must file annual reports with the US Department of Labor. The report is called the "Form 5500." These reports contain financial and other information. You may obtain an electronic copy of your Plan's annual report by going to www.efast.dol.gov and using the search tool. Annual reports also 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. Annual reports do not contain personal information, such as the amount of your accrued benefits. You may contact your plan administrator if you want information about your accrued benefits. Your plan administrator is identified below under "Where To Get More Information."

Summary of Rules Governing Termination of Single-Employer Plans
If a plan terminates, there are specific termination rules that must be followed under federal law. A summary of these rules follows.

There are two ways an employer can terminate its pension plan. First, the employer can end a plan in a "standard termination" but only after showing the PBGC that such plan has enough money to pay all benefits owed to participants. Under a standard termination, a plan must either purchase an annuity from an insurance company (which will provide you with periodic retirement benefits, such as monthly, for life or for a set period of time when you retire) or, if the plan allows, issue one lump-sum payment that covers your entire benefit. Your plan administrator must give you advance notice that identifies the insurance company (or companies) selected to provide the annuity. The PBGC's guarantee ends upon the purchase of an annuity or payment of the lump-sum. If the plan purchases an annuity for you from an insurance company and that company becomes unable to pay, the applicable state guaranty association guarantees the annuity to the extent authorized by that state's law.

Second, if the plan is not fully-funded, the employer may apply for a distress termination. To do so, however, the employer must be in financial distress and 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
When the PBGC takes over a plan, it pays pension benefits through its insurance program. Only benefits that you have earned a right to receive and that cannot be forfeited (called vested benefits) are guaranteed. 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 amount of benefits that PBGC guarantees is determined as of the plan termination date. However, if a plan terminates during a plan sponsor's bankruptcy, then the amount guaranteed is determined as of the date the sponsor entered bankruptcy.

The PBGC maximum benefit guarantee is set by law and is updated each calendar year. For a plan with a termination date or sponsor bankruptcy date, as applicable in 2015, the maximum guarantee is $5,011.36 per month, or $60,136.32 per year, for a benefit paid to a 65-year-old retiree with no survivor benefit. If a plan terminates during a plan sponsor's bankruptcy, the maximum guarantee is fixed as of the calendar year in which the sponsor entered bankruptcy. The maximum guarantee is lower for an individual who begins receiving benefits from PBGC before age 65 reflecting the fact that younger retirees are expected to receive more monthly pension checks over their lifetimes. Similarly, the maximum guarantee is higher for an individual who starts receiving benefits from PBGC after age 65. The maximum guarantee by age can be found on PBGC's website, www.pbgc.gov. The guaranteed amount is also reduced if a benefit will be provided to a survivor of the plan participant.

The PBGC guarantees "basic benefits" earned before a plan is terminated, which include:

- 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 or the date the sponsor entered bankruptcy, as applicable.

The PBGC does not guarantee certain types of benefits:

- The PBGC does not guarantee benefits for which you do not have a vested right, 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.
- 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.

In some circumstances, participants and beneficiaries still may receive some benefits that are not guaranteed. This depends on how much money the terminated plan has and how much the PBGC recovers from employers for plan underfunding.

For additional general information about the PBGC and the pension insurance program guarantees, go to the “General FAQs about PBGC” on PBGC’s website at www.pbgc.gov/generalfaqs. Please contact your employer or plan administrator for specific information about your pension plan or pension benefit. PBGC does not have that information. See “Where to Get More Information About Your Plan,” below.

Where to Get More Information

For more information about this notice, you may contact CNS Technical Services Y-12, LLC at 1-865-574-1500 or 1-877-861-2255; or the principal administrative officer via email at benefits@y12.doe.gov. For identification purposes, the official plan number is 001 and the employer identification number or “EIN” is 45-4482782.