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United States Senate

COMMITTEE ON ARMED SERVICES

WASHINGTON, DC 20510-6050

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December 7, 2011

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. Dodaro:

In April of this year, in GAO-11-378, the General Accountability Office (GAO) recommended that the Department of Energy (DOE) comprehensively review how it manages contractor postretirement benefit costs. In that report, GAO noted that “DOE’s costs for reimbursing contractor pension and other postretirement benefits have grown since 2000 and are projected to increase in coming years.”

In addition, a November 12, 2011, *New York Times* article pointed out that large, profitable companies like Boeing, General Dynamics, Lockheed Martin and Raytheon are among the recipients of very significant reimbursements by the taxpayer for pensions and retirement healthcare expenditures. The article noted that Lockheed Martin showed “reimbursements of \$3.45 billion over the last five years: \$3.1 billion came from United States taxpayers. During that period, the company generated \$21.8 billion in operating profits.” Although the GAO has produced an estimate for DOE pension costs, there is no similar estimate for other agencies such as the Department of Defense (DOD), which uses many of the same contractors as DOE and relies on them to provide needed goods and services to a greater extent.

Accordingly, we request that the GAO examine DOD contractor postretirement benefits and costs. This review should include: (1) a summary of the Federal Acquisition Regulation and Cost Accounting Standards which pertain to the reimbursement of contractors for allowable costs; (2) a review of the regulations that guide DOD contractor pension plan options, including a choice between defined benefit and defined contribution plans; (3) an estimate of how much DOD has paid its contractors to backfill their pension plan shortfalls over the past 10 or so years; (4) a projection of future liabilities as a result of DOD contractor pension plan shortfalls; (5) the feasibility and advisability of various options for limiting DOD’s liability for contractor pensions, including but not limited to the option of eliminating reimbursement for all or some defined benefit plans; and (6) an assessment of the possible savings from any options so considered.

With a mounting national debt, a foundering economy, and the possibility of millions of Americans facing significant losses to their own retirement accounts, we believe taxpayers should know how much of their money is going toward private contractor pensions and benefits.

Thank you for your consideration of this request. Questions about it may be directed to Peter Levine with Chairman Levin's staff at 202-224-8631 and Pablo E. Carrillo with Ranking Member McCain's staff at 202-224-6371.

Sincerely,



John McCain
Ranking Member



Carl Levin
Chairman