

Woods Hole Oceanographic Institution
Retirement Task Force
Meeting Minutes
April 20, 2009

I. Attendees

Susan Avery, President and Director, called the meeting to order at 9:00 a.m.

Retirement Task Force Members present:

Susan Avery, co-Chair	Karl Helfrich
Carolyn Bunker, co-Chair	Mark Kurz
Denise Cabral	Steve Molyneaux
Rick Chandler	Delia Oppo
Ernie Charette	Emily Schorer
Matt Charette	June Sullivan
Ed Dow	

Watson Wyatt:

Charlie Commander
Mark Rich

II. Update on Meeting with Trustee Executive Group on 4/10/09

On April 10th, Susan Avery, Carolyn Bunker, Emily Schorer, Denise Cabral, Karl Helfrich, Karl von Reden, Matt Charette, Charlie Commander, and Mark Rich met with the Retirement Fund Committee (Ted Dengler, Chair; Bob Ducommun, and Michele Van Leer) in New York to discuss the position of switching from a Defined Benefit (DB) to a Defined Contribution (DC) retirement plan. Chairman of the Board, Newt Merrill, was also in attendance.

Susan provided an overview of the major factors that have led us to having these discussions and making this difficult decision. The Pension Protection Act (PPA) has put strict rules in place requiring a shorter recovery time to fund the Plan. Under PPA, there is now a 7-year horizon to make up plan losses, which creates significant funding volatility. Coupled with the restriction for not being allowed to contribute to the Plan during the good years when the Plan is overfunded, the DB Plan has become cost prohibitive for WHOI and a threat to the unrestricted endowment.

Susan pointed out that changing to a DC plan does not solve the current issue of funding the shortfall nor does it resolve any short-term issues. The trustees are looking to the future to protect the long-term sustainability of retirement benefits and the endowment. Under a DC plan, there is more predictability and less volatility for budgeting and funding the retirement plan.

As a result, the Board of Trustees are expected to accept a recommendation from the Retirement Fund Committee to move to a DC plan at their next meeting on May 14th. It is highly expected that the trustees will approve this recommendation with a targeted effective date of January 1, 2010 recognizing that this date may be extended to allow for

appropriate time to develop the “right plan” and to provide proper communication and education to employees, but for no later than January 1, 2011. In addition, the start-up cost to transition to a DC plan must be affordable to the Institution, keeping in mind that we will still be funding the DB shortfall while funding a DC plan. Based on these factors, we will need to prove whether or not it is feasible to the Institution to meet this deadline based on timing and affordability.

Assuming the recommendation is accepted, The RTF is being charged with designing a DC plan with an expected completion date of June 30, 2009. Susan explained that the trustees are sensitive to the impact this will have for some WHOI employees, particularly the more senior career folks, and are expecting the DC plan design to include a fair and equitable transition plan for the impacted group of employees. The RTF will have two 2-day retreats in May and early June to focus strictly on developing a DC plan design. For balance, a few new “early career” employees will be invited to join the RTF prior to these retreat dates so they can offer their perspectives and be involved in the plan design process.

III. RTF Members Comments/Concerns

- Impact on employee morale – the RTF was assured that proper communication and education will be provided to employees.
- The negative impact to the older, long-term employees – a goal of the transition plan is to distribute the impact of the plan change as evenly and fairly as possible throughout the organization.
- Employees should know their retirement benefit shortfall with a switch from DB to DC plan – examples will be provided to all employees.
- In order to design a DC plan, the RTF will need a specific budget amount to work with to appropriately design a plan that is affordable to fund and maintain.
- Will the RTF be looking at other benefit costs outside of the retirement plan? No, the RTF will focus strictly on the scope of the retirement plan.
- Communication to employees must be clear, honest and upfront.
- RTF wants employees to know they were NOT part of the decision/recommendation to switch from DB to DC plan, but will be a part of designing the DC plan.
- Will need to look into the cost of educating employees on investing, etc.
- Will we be competitive with our retirement plan and benefits for recruiting and retaining employees? It is expected that WHOI will continue to offer a competitive retirement plan

IV. Key Issues

Benefit Rate has been negatively affected by the funding of the DB Plan shortfall, increasing it to around 60% for WHOI. The average rate should be somewhere around 53%. The benefit rate encompasses the overall costs for retirement, health, and paid-time-off benefits. There was discussion around how much WHOI can afford and where the money will come from to fund: (a) the DB shortfall, (b) the new DC Plan and (3) the transition benefits. Have to be careful in controlling both the overhead and benefit rates; there has to be a good balance.

There was discussion regarding cutting costs from the *Unrestricted Budget*. It was explained that cutting unrestricted funds can negatively affect other major areas of operations such as bridge support, communications and development, cost sharing for grants project and other activities, cost overruns, and underfunding of the DB plan.

Per Susan, the *Future Workforce of WHOI* has been a topic of discussion at Department Chair meetings and retreats, expressing the need for flexibility to work on a more diverse set of projects to allow for both short-term (less than 10 years) and long-term career projects. There will be a need for hiring more contract & temporary employees for project-based employment.

The *Current Level of Participation in the Voluntary 403(b) Plans* is fairly high with 59% of eligible exempt employees and 31% of eligible hourly employees contributing to the 403(b) plans, with an average contribution percentage of 13.48% of pay. This equates to about \$11,000 on average/per year. The average age of all WHOI employees is 48 years with 16 years of service.

V. Action Items

An “All-Hands” announcement will be issued from Susan Avery to let the employees know that the Retirement Fund Committee is expected to recommend that WHOI change from a DB to a DC plan. The recommendation will be presented and voted on at the May 14th Trustee Meeting (official communication was emailed through WHOI Announcements on 4/23/09).

Two 2-day retreats in May & June will be scheduled for the RTF to design a fair and equitable DC plan for formal recommendation to the trustees by June 30th.

A couple of “early career” employees will be invited to join the RTF prior to the retreats. Watson Wyatt will assist in bringing the new members up to speed before the retreats.

An estimated budget amount needs to be determined for designing a DC plan.

VI. Adjournment

Susan Avery adjourned the meeting at 12:00 P.M.

Minutes submitted by: June Sullivan

Minutes approved by: Dr. Susan Avery