

Woods Hole Oceanographic Institution
Retirement Task Force
Meeting Minutes
January 15, 2009

I. Attendees

Carolyn Bunker, Vice President of Finance and Chief Financial Officer, called the meeting to order at 9:30 a.m.

Retirement Task Force Members present:

Susan Avery, co-Chair	Jonathan Howland
Carolyn Bunker, co-Chair	Mark Kurz
Mike Brennan	Delia Oppo
Denise Cabral	Emily Schorer
Rick Chandler	Dave Stephens
Ernie Charette	June Sullivan
Matt Charette	Kevin Thompson
Ed Dow	Karl von Reden
Karl Helfrich	

Watson Wyatt:

Charlie Commander
Mark Rich

II. Update on Trustees Meeting

On January 9th, Susan Avery, Carolyn Bunker, Emily Schorer, Charlie Commander and Mark Rich met with the trustees in New York. In addition, prior to that meeting, the Executive Group of the Retirement Task Force met with the Retirement Trust Committee.

Charlie reported the main focus points presented to the trustees regarding the Retirement Plan (the "Plan" hereafter), those being 1) the forecast that the Plan will have a shortfall of approximately \$50 million this year and 2) what can be solved and not solved by making changes to the Plan. It was emphasized that although changing the Plan may have an impact over time, it cannot eliminate the shortfall. This is a fiscal issue that must be addressed.

The next Trustees Meeting will take place on May 20, 2009, and it is expected that a recommendation will be presented regarding the future of the Plan.

III. Presentation by Watson Wyatt

Mark opened the presentation by providing a look back at the Plan's decline since it was almost fully-funded in 2007. Compared to 2007, the plan assets lost 25%-30% leading to the shortfall.

Mark provided some education on the recent Pension Relief law and how it will provide some short-term relief to WHOI and the Plan. Overall, the relief will allow smoothing of 2008 asset losses and reduce the 2009 funding target for WHOI from 100% of the plan liability to 94%. This is only a short-term fix and WHOI will still ultimately have to face funding the shortfall. Bottom line, without further relief from Congress (or the IRS), the amount of the shortfall will likely cause us to incur a contribution amount higher than the \$11.5m that was budgeted for in 2009.

IV. Alternative Plan Options

Mark reviewed the two alternative Defined Contribution plan options (*Service/Age Graded* and *10% of Pay*) that were presented to the trustees and which were designed based on guidance and consensus by this Committee in the event that a change to a Defined Contribution plan is required. Under both options, defined benefit pension service is frozen, however, continued pay increases are factored in until the participant earns 25 years of service. Also, current employees will be eligible for additional “transition” contributions through January 1, 2020 under both Defined Contribution scenarios if they meet certain age and service criteria. The age and service criteria will be reviewed each year so that if someone is not eligible for the transition contributions at plan change, they may be eligible in future years. It was noted these plan designs can be changed and should not be considered as the final alternative plan design options.

The cost projection results showed that there is not much of a difference in the overall WHOI cost over a 10-year period under the Defined Contribution scenarios compared to our current Defined Benefit Plan. Conceptually, these options will not eliminate the shortfall, solve the short-term cost issue, or even eliminate the volatility over the short-term.

V. Workforce Strategy

The Committee was very interested in hearing what the message was from the trustees. Carolyn and Charlie responded that there were mixed opinions amongst the group. There was an overall message from the trustees that we don’t necessarily want to be consumed by the incremental cost but instead focus our decisions strategically on the future workforce structure at WHOI. Ultimately, the trustees are compassionate about the future of WHOI and are willing to make any changes to the Plan if the reasons are justified and tie into the long-term strategic plan for the Institution. The trustees are expecting to make a final decision by May 2009.

Charlie brought to attention the two major standing issues to consider when facing these decisions: 1) What type of workforce do we want the Plan to support? 2) What is the cost and cost volatility that WHOI can absorb?

There was engaged discussion regarding the Committee’s responsibility in making plan design proposals without having a full understanding of the Institution’s vision for the future workforce of WHOI. Is the strategic plan looking to restructure the WHOI workforce? Workforce strategy has not been the charge of this Committee.

Charlie referred back to the “Guiding Principles” for the Plan. If the principles change, then the Plan may need to change. Dr. Avery pointed out there are other principles that shape the workforce. It is not just the Retirement Plan, there are other incentives such as salary and other benefits. Dr. Avery further explained that a full compensation review would be desirable although such an analysis may be limited to retirement plan only due to cost and time constraints.

VI. Next Steps

A presentation needs to be completed by May for a final decision by the trustees. Charlie noted that the trustees are reasonably open as long as they receive a compelling enough reason for either plan design (Defined Benefit, Defined Contribution, or Combination Plan). The committee was assured the trustees have their hearts in the right place and are willing to support the recommendations.

VII. Miscellaneous Comments/Discussion

Dr. Avery will continue to work with the government to push for further relief.

Should WHOI consider offering an early retirement incentive?

The lump sum option on the benefit accrued through December 31, 2005 cannot be eliminated. It is the law and is not to the employer’s discretion.

There was discussion regarding reducing the vesting period. It was pointed out that the vesting period was increased from 3 to 5 years when the plan was changed on December 31, 2005. It can be decreased again but at a cost.

There was a discussion about the concern of shifting risk to employees, particularly in this economic environment. Ultimately, the needs of employees and the mission of the Institution will need to be considered. One suggestion was to maintain the Defined Benefit plan, but include an employee contribution component to share with employees the increased cost of the plan related to the shortfall.

VIII. Action Items

- Schedule meeting with RTF and Executive Task Force before next Trustees Meeting in May
- Come to agreement with a final Defined Contribution plan design option for presentation to the trustees if a change to a DC plan is required by the trustees.

IX. Adjournment

Carolyn Bunker adjourned the meeting at 11:50 a.m.

Minutes submitted by: Denise Cabral

Minutes approved by: Dr. Susan Avery and Carolyn Bunker