

Woods Hole Oceanographic Institution
Retirement Task Force
Meeting Minutes
March 14, 2008

I. Opening Remarks and Introductions

Susan Avery, President and Director, called the meeting to order at 2:15 p.m.

Retirement Task Force Members present:

Susan Avery, co-Chair	Mark Kurz
Carolyn Bunker, co-Chair	Delia Oppo
Mike Brennan	Emily Schorer
Ernie Charette	John Sinibaldi
Matt Charette	June Sullivan
Rick Chandler	Kevin Thompson
Jonathan Howland	Karl von Reden

Watson Wyatt:

Charlie Commander
Mark Rich
Tom King

Dr. Avery reported that she had received a briefing on WHOI's Retirement Plan (the "Plan" hereafter) from Watson Wyatt and Human Resources and acknowledged that it is a complicated issue. For this meeting, she wanted the Retirement Task Force (RTF) to come to closure on where things stood and the process for how the RTF would move forward. She explained that she had spoken at length with trustee Ted Dengler, Chair of the Retirement Fund Committee, and understands that he has gone over the analyses that Watson Wyatt has produced thus far but he still has some questions and has requested more information.

Responding to concerns of some RTF members, Dr. Avery clarified that a decision regarding the design of the Plan does not need to be made this spring. Further, it is expected to take a *minimum* of nine months between a decision and implementation, so any transition to a new Plan (if needed) was not going to come about by January 1, 2009. The question was raised on whether or not this statement meant employees should not expect any changes to the Plan before January 1, 2010, or if a change could be implemented mid-2009 (if needed). Charlie Commander responded that it is possible to implement a change mid-year if needed, but it will be necessary to address certain administrative issues.

Dr. Avery expressed that there will be plenty of time to make sure this review is done right. She emphasized that although we are fiscally sound now, the RTF needs to continue its review of the Plan and raise questions that address the culture, not just

financial considerations. For example, thoughtful consideration should be given to what the employment model should be at WHOI since a retirement plan can actually steer the model you want. Similarly, we need to look at this issue in the broader context of the Institution and consider it in relation to other important issues such as health care, family needs, affordable housing, etc.

II. RTF Executive Group

There is a desire of the RTF to interact more with the trustee's Retirement Fund Committee. The RTF is a large group and Dr. Avery noted that it is probably too big to coordinate regular meetings with the Retirement Fund Committee. She asked if the RTF would be agreeable to establishing an Executive Group, which would be made up of about 4 to 5 RTF members who would liaise with the Retirement Fund Committee when necessary. There was general agreement to move forward with this.

III. Watson Wyatt Presentation

There was a review of the Guiding Principles that the RTF had agreed upon in regards to the Plan.

The program should:

- Enable WHOI to continue to retain high caliber employees
- Focus on delivering retirement income, not wealth accumulation
- Provide a mild incentive for employees to stay with WHOI until retirement age, but should not "handcuff" employees to WHOI
- Be equitable, and provide benefits which replace a consistent replacement income across all pay levels
- Be uniformly applied to all members of the community
- Be responsive to WHOI's employment model, which does not guarantee career employment for all members of the community
- Be understood by employees

The RTF was reminded that it may not be possible for any plan to encompass all of the guiding principles (e.g. the guiding principles may sometimes come into conflict with one another).

The RTF then spent some time getting refreshed on four of the defined contribution (DC) models that Watson Wyatt had presented in 2007. These presentations included models that were age graded, service graded, service & age graded, and points (age plus service) graded. The models were presented for *example purposes only* as those that would minimize impact on employees while staying within a cost structure to which WHOI is accustomed.

For future discussions, the RTF will revisit the guiding principles that impacted the Watson Wyatt DC models. A decision needs to be made on whether or not the RTF is still comfortable with those principles and, if not, the RTF needs to address them as soon as possible.

Watson Wyatt pointed out that a big decision that still needs to be made in the question of whether or not WHOI stays with a defined benefit (DB) plan versus a DC plan is how

much risk WHOI can afford to take. This is a decision for the trustees, but it is the guidance that the RTF needs in regards to assessing the best ‘vehicle’ for the retirement plan and perhaps the budget. It is the RTF’s responsibility to educate the trustees on what is important to WHOI, but it is not the RTF’s role to advise on the level of risk. In regards to current funding, Watson Wyatt presented that in 2006, the estimated minimum contribution for 2008 was \$12 million. In 2007, the estimated minimum contribution for 2008 reduced to \$8 million primarily due to good asset performance. Although we will not have the updated 2008 estimate until sometime in April, it appears that the Plan will be close to fully funded. What this shows is that the new funding rules stated in the Pension Protection Act are incredibly volatile. When discussing the annual cost of the Plan, Watson Wyatt also emphasized that the Plan doesn’t actually cost us more than it did before but due to the changes in the Pension Protection Act, any underfunding that occurs needs to be paid more quickly than under the prior rules.

The RTF discussed the fact that another way to address the volatility of the Plan without changing the current design is to make changes to the investment portfolio. Ernie Charette mentioned that when he and a few other RTF members met with the Retirement Fund Committee last year, there was discussion of ‘inoculating’ the Plan by moving part of the fund into less risky investments. There are different schools of thought on this; some trustees being adverse to this approach because they don’t want to forego the opportunity to earn more for the Institution on the funds they invest.

Members of the RTF expressed the need to come up with more than one scenario for addressing possible future shortfalls in funding. The consensus was that having plans in place beforehand will put us in a better position to mobilize and make decisions later. Dr. Avery agreed and suggested that the RTF identify benchmarks and possible approaches (e.g. if this happens, we’re going to do this).

IV. Communications

The RTF discussed the importance of making sure the same, consistent messages were getting out to the WHOI community. Suggestions were made regarding WHOI Town Meetings and posting more information to the RTF website.

V. Action Items

- Dr. Avery will include comments about the RTF meeting in her next update for WHOI Headlines;
- Emily Schorer will post minutes to the RTF website;
- Carolyn Bunker will touch base with Ted Dengler to make sure he has the information he needs from Watson Wyatt (including comparative data) as well as WHOI demographic data;
- Watson Wyatt to prepare alternative DC models for review by the RTF.
- An Executive Group will be established. RTF Members were asked to review their upcoming commitments for 2008 and get back to Emily if they were interested in serving on this group;
- The next RTF Meeting will be scheduled for the beginning of April;

- Watson Wyatt to meet with and brief new members of the Trustee's Retirement Trust Investment Committee on April 15, 2008. Carolyn Bunker will request that Ted Dengler attend this meeting as well;
- A WHOI "Town Meeting" will be scheduled for the end of April, beginning of May (as scheduling permits).

VI. Adjournment

Dr. Avery adjourned the meeting at 4:15 p.m.

Minutes submitted by: Emily Schorer

Minutes approved by: Dr. Susan Avery and Carolyn Bunker