

Dr. S. K Avery
President and Director
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Institution Note

To All Members and Beneficiaries of the Retirement Plan for Employees of Woods Hole Oceanographic Institution,

Effective April 1, 2011, the Institution's Defined Benefit Retirement Plan (the Plan) is subject to a distribution restriction effecting lump sum payments. In accordance with federal law, this restriction is being imposed as a result of the Plan's assets falling below 80% of the Plan's liabilities. Please read the summary below and attached legal notice, which provides more detailed information regarding the benefit restriction. Should you have any questions, please speak with one of the Human Resources staff members listed at the end of this memo.

I want to make certain that the following is clear:

- The value of your accrued (earned) benefit under the Plan is not, and will not, be reduced
- This restriction generally **limits lump sum distributions to 50%, but permits 100% of the monthly annuity distributions**
- This restriction will have no impact on you if you had already planned to take your benefit as a monthly annuity
- This benefit restriction is imposed by the Pension Protection Act of 2006 and IRS regulations – the PPA was implemented to protect the members and beneficiaries of retirement plans
- The restriction in no way means that the Plan is in jeopardy; the Institution is currently making and will continue to make the required contributions to the Plan in accordance with the PPA
- This restriction is anticipated to be in place through March 2012, when our annual valuation will be conducted again
- Please see the attached documentation for more detail and speak with Human Resources if you have any questions

Pension Protection Act (PPA) – The PPA restricts a defined benefit plan's ability to make *accelerated distributions* – such as lump sum payments – to a participant or beneficiary during a period when a plan's funded status is less than 80%. The Institution received the results of our annual valuation for the 2011 Plan Year on March 25, 2011, in which the Plan's actuary reported the funded status of the Institution's Plan is 77%.

Benefit Restriction – Due to the current funding status of the Plan, the Institution is legally required to restrict *accelerated distributions* from the Plan. Specifically, beginning April 1, 2011 and for as long as the restriction is in place, the Plan must generally limit the amount you can receive as an immediate lump sum to no more than 50% of your total accrued (earned) benefit with the remaining portion of your benefit payable as an annuity.

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During the partial benefit restriction, the following payment options will be available to those who are eligible for a retirement distribution:

- *Deferred Benefit* – wait to receive your Plan benefit (either in a 100% lump sum payment or any other form of payment) at a later date when the Plan's funded status is 80% or more; or
- *Immediate Split Benefit* – split the benefit by taking a partial lump sum payment and an immediate annuity for the remaining balance; or
- *Immediate Annuity* – receive a monthly annuity of your full Plan benefit

Example – John is age 55 and terminates employment with the Institution during the period the restriction applies. Prior to application of the partial restriction, John's lump sum is determined to be \$100,000, while his single life annuity option is calculated to be \$500 per month. His options during the period of restriction will be:

1. Defer receipt of his benefit until a later date when presumably no restrictions apply and he can elect to receive the full value of his Plan benefit in the form of a lump sum; or
2. Elect to receive \$50,000 (one-half of his pre-restricted lump sum) immediately and commence his monthly annuity of \$250 per month (one-half of the single life annuity benefit); or
3. Elect to commence his monthly single life annuity of \$500 per month

Members eligible to commence their retirement benefit while the restriction is in place will receive more detailed information regarding the above available options in their benefit election packages. The Human Resources website will also be updated with more information regarding this restriction.

I want to assure all of you that this situation has the full attention of the Board and the Institution's Executive Team. Should you have any questions regarding the distribution restriction, please contact one of the following:

Emily Schorer
Director of HR
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508.289.3562

Denise Cabral
Benefits Manager
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508.289.2217

June Sullivan
Retirement Benefits Administrator
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Best regards,

Susan K. Avery
President and Director