Introduction

This notice is being provided, in accordance with federal law, to affected members and beneficiaries under the Defined Benefit Retirement Plan for Employees of Woods Hole Oceanographic Institution (the "Plan").

Effective April 1, 2011, the Plan became subject to a federal law restriction that imposes limits on the lump sum distributions that may be paid by the Plan, and payments that may be made under the Plan's Social Security Level Income Option ("SSLI Option"). Significantly, this federal law restriction does not reduce the amount of any benefits earned by a member under the Plan, or affect any of the Plan's rules regarding the calculation of the benefit amounts payable to a member or beneficiary. In addition, the restriction will not affect the form and timing of benefits that are already in pay status. However, as described below, the restriction will have an impact on the form and timing of benefits payable to members and beneficiaries who wish to receive lump sum payments, and members who wish to begin receiving payments under the Plan's SSLI Option, during the period that the restriction is in effect. It is anticipated that the restriction will be temporary, but at this time it is not possible to predict how long the restriction will remain in effect.

Reason for the Restriction/ Duration of the Restriction

Under IRS regulations, the Plan is subject to complicated funding requirements, which determine the amounts the Institution must contribute to the Plan each year. The contributions made by the Institution have satisfied those requirements. IRS regulations also require that each year the Plan's actuary determine the Plan's "funding percentage" under a set of complex rules and calculations which take into account (among other things) the contributions made by the Institution, the value of the Plan's assets reflecting investment experience, and the Plan's liabilities, determined using interest rate and other actuarial assumptions prescribed by federal law.

As of April 1, 2011, the Plan's actuary notified the Institution that the Plan's funding percentage for the year beginning January 1, 2011 was deemed to be approximately 77%. Because the deemed funding percentage is less than 80%, the law requires that the Plan comply with the restriction on lump sum distributions and the SSLI Option described below. The restriction is expected to continue in effect at least through March 2012 and in any case until the Plan's actuary notifies the Institution that the Plan's funding percentage has increased to 80% or greater, in which case the restriction would cease to apply at that time. However, it is not possible to predict at this time when that will occur, as the actuary's determination will depend on a number of factors that are currently unknown. The Institution will notify affected members and beneficiaries when the actuary notifies the Institution that the Plan is no longer subject to the restriction.

Description of the Restriction and Options Available to Affected Members and Beneficiaries

This section provides a brief summary of the impact of the restriction; further details will be provided to individual members and beneficiaries when they indicate that they would like to receive, or begin receiving, their benefit during the period the restriction is in effect.
In general, while the restriction is in effect, the Plan may pay a lump sum benefit to a member or beneficiary (who is otherwise eligible for a lump sum under the Plan) only with regard to 50% of the Plan benefit payable to that member or beneficiary under the Plan.[1] The Plan is permitted to make a lump sum distribution if the value of the member's or beneficiary's entire benefit is $5,000 or less. If a member begins to receive his benefit under the SSLI Option while the restriction is in effect, the amount of the benefit payable under that option must be calculated based only on 50% of the benefit that member has earned under the Plan.[1] The portion of the benefit that may be paid to a member or beneficiary under a lump sum option or SSLI Option while the restriction is in effect, as described in this paragraph, is referred to as the "Unrestricted Portion" of the benefit. The remaining portion of the member's or beneficiary's benefit is referred to as the "Restricted Portion."

A member or beneficiary subject to the restriction may choose from one of the following options:

- He may elect to defer payment (or commencement) of his benefit (both the Restricted Portion and the Unrestricted Portion) until the time that the restriction no longer is in effect. However, as noted above, it is not possible at this time to determine when the restriction will no longer apply to the Plan. Also, payment (or commencement) of the benefit may only be deferred to the extent that deferral is permitted under the otherwise applicable provisions of the Plan and applicable law (e.g., under the Plan, payments commence by normal retirement age, and under the tax law rules, minimum required payments begin at age 70-1/2).
- He may elect to receive (or begin to receive) the Unrestricted Portion of his benefit as a lump sum (or under the SSLI Option), in accordance with generally applicable Plan rules, and elect to begin receiving the Restricted Portion of his benefit under any other life annuity form available.
- He may elect to receive (or begin to receive) 100% of his benefit in any other life annuity form available to the member or beneficiary.

Additional Information

The Institution understands that this restriction imposes complicated requirements on the Plan and its members and beneficiaries, which can be confusing. This notice provides only a brief summary of the restriction and related rules. In all cases, payments under the Plan while the restriction is in effect must be made in a manner consistent with the Plan's terms and the IRS rules relating to the restriction. Members and beneficiaries who are eligible to commence benefits while the restriction is in place will receive more detailed information regarding their available options in their benefit election package. Additional information regarding how the restriction may affect individual members or beneficiaries is available from Human Resources. Please contact Ms. June Sullivan, Retirement Benefits Administrator, (508)289-2706.

[1] Under federal law, while the restriction is in place, the plan cannot pay more than the lesser of (a) 50% of the amount of payment that could be paid if the restriction was not in place, and (b) the lump sum present value of the maximum guaranteed annual benefit that the Pension Benefit Guaranty Corporation, the PBGC, a federal agency, will pay for an individual under its insurance program for qualified defined benefit plans. The maximum guaranteed annual benefit varies by age. In 2011, the maximum guaranteed annual benefit payable at age 65 under the PBGC's program is $54,000.

This Notice is required by Section 101(j) of the Employee Retirement Income Security Act of 1974, as amended.