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President and Director
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Institution Note

TO: WHOI Active Defined Benefit (DB) Retirement Plan Participants
FROM: Susan Avery, President and Director
DATE: August 31, 2010
RE: Changes to WHOI Retirement Benefits Effective December 31, 2010

Effective December 31, 2010, service under the Institution's Defined Benefit Retirement Plan for Employees of Woods Hole Oceanographic Institution (DB Plan) will be frozen, with benefits for future service after that date being provided through the new ERISA 403(b) Defined Contribution Retirement Plan (DC Plan). Please be assured that the Plan changes described below only affect *future* benefits that have not yet been accrued. The changes will not affect any retirement benefits that you have already accrued and earned by December 31, 2010. These benefits cannot be decreased.

The changes outlined below are the result of an extensive review conducted by WHOI administration and a retirement task force comprised of a diverse team from the WHOI community. The changes also incorporate feedback received from the employees. Consultants from Towers Watson worked closely with WHOI and members of the Board of Trustees throughout the process as well.

Detailed information on the new DC Plan and related transition has been and will continue to be provided to all eligible employees (generally, benefits eligible employees expected to work at least 1,000 hours per calendar year).

DB Plan Changes Effective December 31, 2010

Based on the findings and recommendations of the DB Plan review, the following changes have been approved by the Executive Committee of the Board of Trustees and adopted by the Board of Trustees. These changes will become effective December 31, 2010:

- **Credited service will be frozen as of December 31, 2010** – For the purposes of calculating your DB Plan benefit, only your service through December 31, 2010 will be taken into account. Please note, however, that although future service isn't counted for purposes of determining the amount of your DB Plan benefit, it will count towards eligibility for vesting, early retirement, and the Special Early Retirement Benefit (SERB), as applicable, for as long as you remain a member of the Plan.
- **Final average compensation continues until 25 years of service (DB Plan Transition)** – The determination of your highest 5-year average pay will continue to reflect pay increases until the earlier of a) the end of the calendar year in which the sum of your Plan credited service as of December 31, 2010 and your future service equals twenty-five (25) years, and b) the date you become an inactive member of the Plan (e.g. terminate from WHOI or change to an education appointment or guest status).

Example 1: 10 years of credited service on December 31, 2010 – Your benefit will be based on 10 years of service but will continue to reflect future pay increases for the next 15 years of service, as long as you remain employed by WHOI in an eligible status.

Example 2: 25 or more years of service on December 31, 2010 – Your final average compensation and service will both be frozen as of that date. Future pay increases will not be reflected in your DB Plan benefit.

- **Your entire accrued benefit will be available as a lump sum** – If you are still actively employed in a DB Plan eligible work status after December 31, 2010, you will have the additional option of receiving your entire DB Plan benefit as a lump sum. Previously, the

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lump sum was generally limited to your benefit earned as of December 31, 2005 (or the minimum benefit if higher), with the remainder of your benefit payable only as an annuity.

Please note, irrespective of this plan enhancement, allowing an unlimited lump sum, the Pension Protection Act of 2006 restricts the amount of a member's accrued benefit that is payable as a lump sum in the event that the funded ratio of the plan assets, using IRS mandated assumptions, falls below 80% of the plan liability. No such restriction applies at this time.

What's Not Changing

Many of the features of the DB Plan will continue in place including, but not limited to, the following:

- **Special Early Retirement Benefit (SERB)** – As a reminder, you are eligible for an unreduced benefit if you were hired prior to 1999 and terminate employment with WHOI after:
 - a) you are at least age 60 and have completed 30 or more years of credited service, or
 - b) you are at least age 62 and have completed 25 or more years of credited service
- **Cost of Living Adjustment** – There will be no change to this feature which provides an annual adjustment to your benefit beginning at the later of:
 - a) Your benefit commencement, or
 - b) May 1st after the year in which you turn age 65

The cost of living adjustment remains tied to inflation and is subject to an annual maximum of 3% per year.

What the Changes Mean to You

Your DB Plan benefit is based on a number of factors, including your years of service, your age when benefits begin and your compensation, so the impact of the changes will not be the same for every employee.

Enclosed with this Notice, all active DB Plan participants, who are either regular (full or part-time) employees or whose benefit is not already maximized (frozen) as of December 31, 2010, will find a statement illustrating the impact of the DB Plan changes on your WHOI-provided retirement benefits. The illustrations will estimate how benefits are calculated under the modified DB Plan plus the new DC Plan and compare those results to estimated benefits under the current DB Plan, assuming it remained unchanged until retirement. If you are a participant in the DB Plan and you did not receive a statement along with this Notice but believe you should have, please e-mail retirement@whoi.edu.

More Information

You will be receiving an updated Summary Plan Description (SPD) in early 2011 reflecting all of the changes described above. If you have questions about any of the DB Plan changes, please e-mail retirement@whoi.edu. More information can also be found at the WHOI Human Resources Website, www.whoi.edu/HR under Benefits.

About this Notice

This Notice is being provided in accordance with Section 204(h) of the Employee Retirement Income Security Act of 1974, as amended. This Notice is required by the federal government to provide information that helps employees understand the effects of the changes to the DB Plan on their retirement benefit. This Notice provides an overview of the changes. It does not cover all details of the plan or its operation, nor is it intended to be a summary plan description or the basis upon which you make financial decisions. The terms of the Retirement Plan for Employees of Woods Hole Oceanographic Institution govern all benefits and eligibility. In the event of any discrepancy between this Notice and the Plan document, the Plan document will govern. In addition, the Woods Hole Oceanographic Institution reserves the right to amend, curtail or terminate the DB Plan at any time.