

IBM's Hybrid Pension Plan

Benefit Plan Change

- IBM will no longer provide 401(k) contributions (previously, provided 1% and a match up to 5%)
- IBM is now contributing 5% into a new “Retirement Benefit Account” (“RBA”)
- The RBA is guaranteed 6% returns through 2026 then a rate of return equal to 10-year US Treasury Yields (with a minimum 3% return)

Impact on...

- **IBM:** temporary contributions holiday (\$3.5 billion surplus)
- **Employees:** guaranteed 5% contribution, access to retirement income, limited market returns but immunized against risk

What factors could impact whether IBM's announcement will influence other organizations?

Reasons for Re-opening a Pension Plan



Business Factors

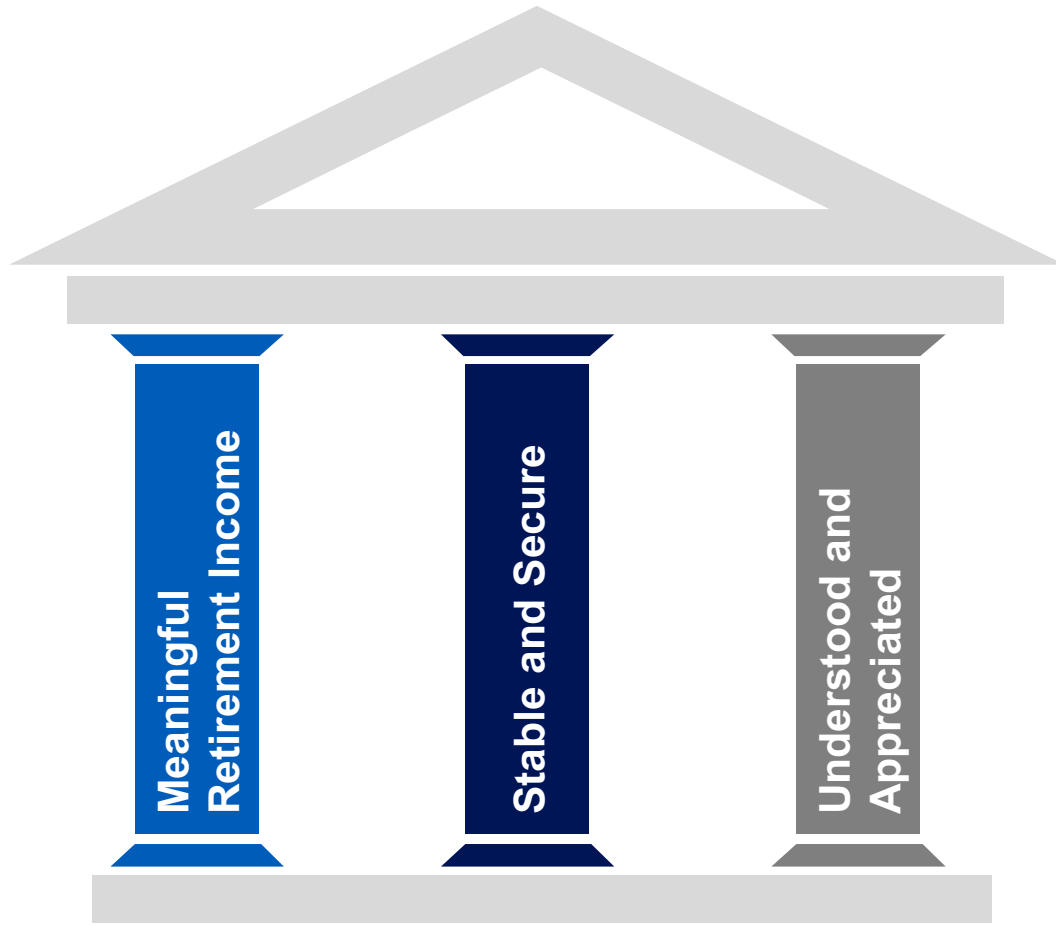
Possibility to improve retirement plan cash flow (large DB surplus and annual DC obligation)

Employees value...
Pathway to financial security
Direct access to retirement income



People Factors

How is the Retirement Conversation Shifting?



Wealth: Legacy 401(k)-only Model

- Self-directed account balance
- Defined contribution, but uncertain income
- Complex process of converting savings into income

Income: Pension (or blended) Model

- Passive accruals
- Guaranteed income (including risk adjusted)
- Clear retirement target (i.e., replacement ratio)

Is this the beginning of a self-correction in the market toward a system of meaningful retirement income?