



WOODS HOLE OCEANOGRAPHIC INSTITUTION

Dr. James R. Luyten, *Executive Vice President*

TO: WHOI Employees

FROM: Jim Luyten, Executive Vice President
Carolyn Bunker, Vice President for Finance and
Administration and CFO

DATE: August 16, 2005

SUBJECT: 2006 BENEFIT PLAN RECOMMENDATIONS

Community Briefings will be held on Wednesday, August 17 at 2:00 p.m. in Clark 507 and Tuesday, August 23 at 2:00 p.m. in Redfield Auditorium, to review the recommendations from the Benefits Task Force and the Retirement Task Force regarding changes to our benefit programs for 2006. The changes are being recommended to help us better manage our benefit costs. This memo provides some background on the financial drivers behind the recommended changes to our benefit programs.

FUNDING AND BENEFITS COSTS

As you know, the Institution raises 85% of our funding through research grants from the Federal Government. Available Government funding for this research is decreasing. The proposals that we submit for funding need to be financially competitive priced and a significant part of our proposal cost is attributable to our salary costs (salary + benefits + lab overhead + administrative overhead). Our labor costs—specifically our benefits costs—are increasing faster than any other single component and we need to do something now if we are to remain a viable research institution for many years to come.

THE WHOI RETIREMENT PROGRAM

We previously reported to you that our Retirement Plan was over funded in the 1990s (i.e., the plan had more assets than were needed to meet current liabilities). Because of our funding status, we were able to make significant enhancements to the Retirement Plan, which were effective January 1, 1999. However, changes in the economic climate in the past few years would have required the Institution's annual funding contribution to go from \$0 to \$10 million in the next three years. We implemented a short-term mitigation plan to provide the Institution with funding relief for 2005 and time to further study the issue and develop a longer term strategy.

A Retirement Task Force consisting of 17 members of the WHOI Community was convened last fall to study the issue and they have developed a number of recommendations to help us mitigate future costs and meet our budgetary requirements. For the most part, the recommendations call for cutting back on some of the enhancements that were made to the plan in 1999.

Be assured that:

- current retirees will not be affected by these changes,
- the benefits you've earned to date will not be impacted by the changes, and
- the plan will still be competitive and serve our future retirees well.

WHOI HEALTH AND WELFARE BENEFITS

In tandem with increased Retirement Plan costs, our health care costs have been increasing 12%-15% per year for the past several years. Our projected increase for 2006 under the current medical plan is 13.8%, for a total health care cost of approximately \$7 million. Although the increases are in line with national averages, like many institutions, we simply can't afford to absorb these increases, nor can we pass them on to our employees, year after year.

A Benefits Task Force consisting of 19 members of the WHOI Community was convened this past spring to study all of our employee health and welfare plans (including medical, dental, life insurance, disability insurance and sick time) and to make recommendations on ways to better manage our costs going forward. After review of each of the plans, the Benefits Task Force is recommending changes to our employee medical plan and an enhancement to the short-term disability plan.

FOR MORE INFORMATION

The upcoming Community Briefings will provide more information about the recommended changes and give you an opportunity to have your questions answered. The August 17 Community Briefing will be held at 2:00 p.m. in Clark 507 and the August 23 Community Briefing will be held at 2:00 p.m. in the Redfield Auditorium. We encourage you to attend one of the meetings to learn more about the recommended benefit program changes for 2006. For more information on funding and financial issues, please refer to the Presentation we did for the Staff Committee posted at <http://www.who.edu/committees/staff-comm/internal/2005/OverheadMultiplier.pdf>. We will also post the Community Briefing Presentation on the Human Resources website http://www.who.edu/services/HR/retireme/retirement_plan_info.htm after the Community Briefings.

JRL/CB:mml