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Investment Innovation & the Global Future of Retirement

June 22 - 24, 2014 | The Waldorf Astoria | New York

DIALOGUE 1: Participants on the Right Path

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DIALOGUE 1: Participants on the Right Path

Ari Jacobs

Global Retirement Solutions Leader, Senior Partner

Aon Hewitt



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Participants on the Right Path

Jeanne Denz, Director of Global Benefits
General Mills, Inc

About General Mills

Our mission at General Mills (GMI) is nourishing lives—making lives healthier, easier and richer

2013 Sales	\$17.8B
Global Employees	41,000
U.S. Employees	16,600
Union Employees	3,300
Male	60%
Average Age (years)	45.3
May, 2014 Estimated Total Pension Assets	\$5.5B
May, 2014 Estimated Pension Plans' Funded Status¹	110%

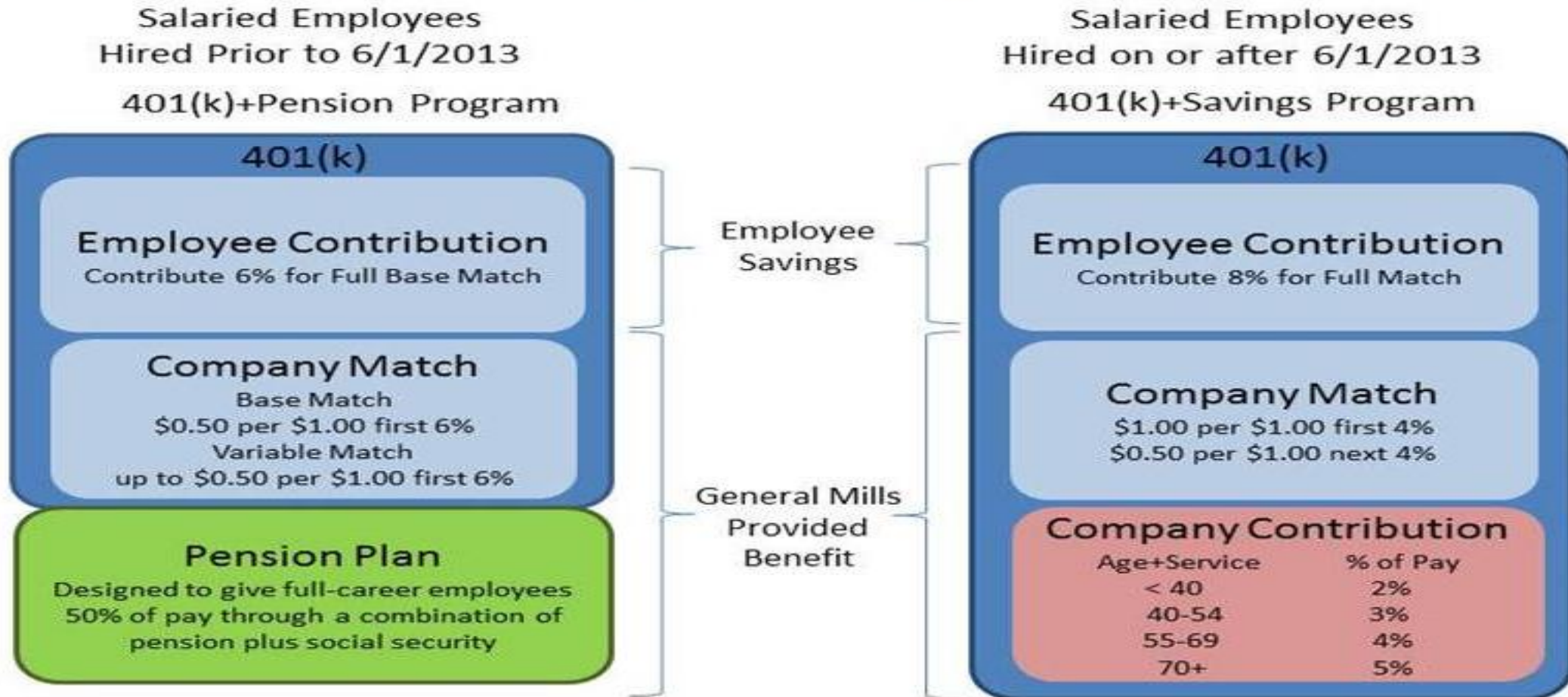
¹ Funded Status is based on the qualified plans' market assets compared to projected benefit obligations

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There Are Two Retirement Programs For Salaried Employees¹

General Mills Retirement Programs Overview



¹ Effective June 1, 2013 for salaried employees (does not apply to production employees)

Select Tools: General Mills Approach

Get Help

Retirement Evaluation Statement

Online Advice

Professional Management

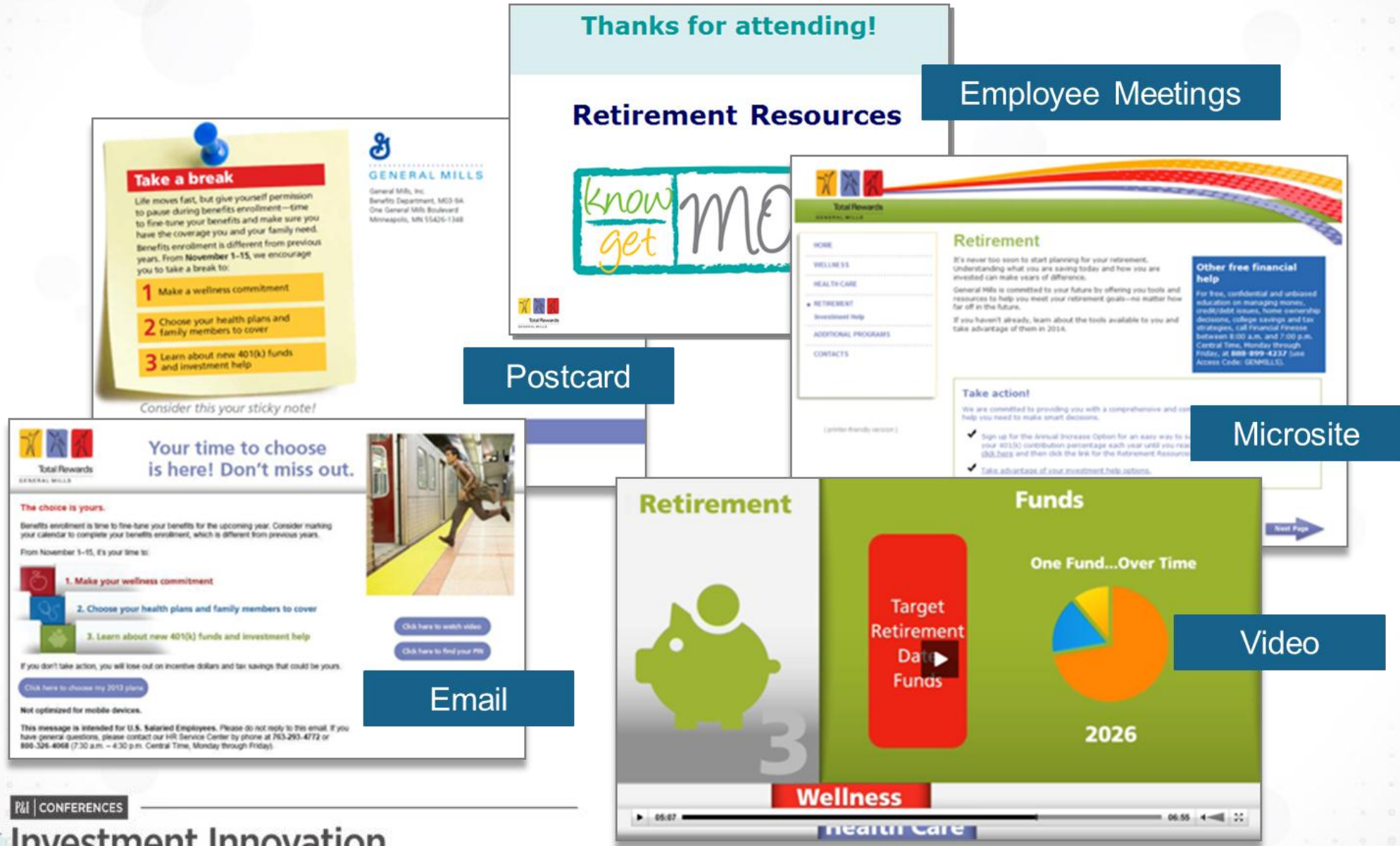
Do it Yourself

Target
Date
Funds

Create
Your
Own Mix
From
Core
Funds

Brokerage
Window

Market Tools: General Mills Approach



New Responsibility...Participants



Save

Plan

Invest



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Alcatel-Lucent Retirement Plans

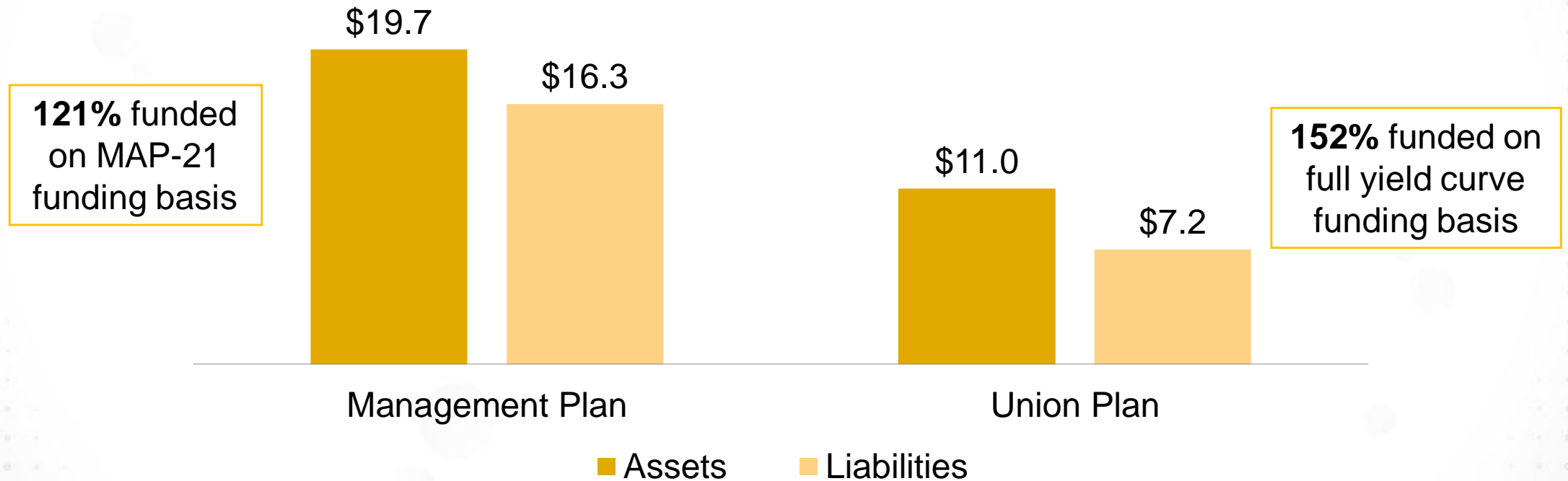
John Hickey, Global Benefits and Mobility & HR M&A Vice President,
Alcatel-Lucent

Company Background

- Provides products and innovations in IP, cloud networking and ultra-broadband access
 - Bell Labs is an integral part of Alcatel-Lucent and one of the world's foremost technology research institutions
- Created from the merger of Alcatel and Lucent in 2006
- Headquartered in Paris, France with operations throughout the world
- Some relevant US history
 - Lucent originally spun-off from AT&T in 1996
 - Very successful during late 1990s with stock price increasing more than 1,000%
 - By March 2000, Lucent was 9th most valuable company in the world
 - Internet bubble burst in 2000 and stock price crashes down by 97%
 - Legacy Lucent benefit plans very large relative to market cap

US Pension Funded Status

As of Jan 1, 2014 in \$ billion



Pension Strategy – US Management Plan Design Elements

**January 1, 2008:
Closed Plan**

- Closed Management Plan to all new employees

**December 31, 2009:
Froze Plan**

- Saved \$100M annually in accounting expense
- Increased Savings Plan match from 3% to 6% adding annual cash cost of \$40M

**2012 : Completed LS Window for
TVs**

- Approximately 40% accepted offer

**January 1, 2014:
Partially “Unfroze” Plan**

- Provide new 6% annual cash balance credit
- Eliminated Savings Plan match to save cash

**2015: Consider LS Window for
Retirees**

- Received Private Letter Ruling
- Potential one-time offer to about 45,000 Management Retirees

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Pension Strategy – Manage Risk of Overfunding

Transferred to Retiree Welfare Plan using Section 420

- Transfer excess pension assets from Union Pension Plan to Union Postretirement Welfare Plan to cover annual claims
 - 1999: started transfers for health care
 - 2012: started transfers for retiree life insurance

Targeted Pension Asset and Liability Transfers

- Transfer participants from Union Pension Plan to Management Pension Plan opportunistically
 - 2010: non-represented retirees
 - 2011: surviving spouses
 - 2012: terminated vested participants

Shifted Asset Allocation

- In 2006, all pension plans allocated 75/25 equity/fixed
- Today, assets allocated conservatively and different by plan
 - Management plan: 30/70 equity/fixed
 - Union plan: 20/80 equity/fixed



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Participants on the Right Path

Lori Lucas, CFA
DC Practice Leader
Callan Associates

The Challenges of Changing Participant Behavior Globally

- Available DC plans may differ:
 - Voluntary versus mandatory plans
 - Available savings incentives
 - Regulatory differences
- Required savings rates may differ:
 - Availability of national healthcare
 - Availability of state or employer pensions
 - Lifestyle expectations in retirement



The Challenges of Changing Participant Behavior Globally

- Cultural differences may influence saving and investing behavior. Research shows:
 - Workers in Saudi Arabia may require Islamic savings products.
 - Workers in India are 4 times more likely to trust a co-worker to help them make financial decisions that workers in the U.S.
 - Workers in the Netherlands spend far more of their monthly income on housing than workers in Poland.
- Successful approaches to financial literacy and behavioral finance may vary. Research shows:
 - Euro-American children are shown to value personal choice much more than Asian children.
 - Individualistic cultures (such as Euro-America) value consistency of choices more than collectivist cultures (such as Poland).
 - Conversely, peer pressure is more powerful in collectivist cultures than in individualistic cultures.





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Participants on the Right Path

Todd Hassler Retirement Plans Manager, Reading Health System
Reading Health System Retirement Plans

Company Background-

Reading Health System



- 7,000 employees, 1,000 physicians, and 63 clinical locations committed to ***Advancing Health. Transforming Lives.***
- Reading Health System is a 647-bed acute care hospital offering extensive outpatient services that has been recognized with HealthGrades Distinguished Hospital Award for Clinical Excellence 2014 & 100 Best Hospitals in 5 Specialty Fields
- Was founded in 1867, in Reading Pennsylvania
 - Reading was primarily a manufacturing community with a strong value towards defined benefit oriented programs
- Reading Health System offered a defined benefit plan for over 50 years
 - 2013 Reading Health System has announced a pension plan freeze beginning July 1, 2016
 - Beginning July 2016 Reading Health System will offer an enhanced Defined Contribution Plan that includes a Matching Contribution and an escalating Non-Elective Contribution based on years of service

Reading Health System

Strategy for Implementing Change



Risk

Controls

Create Ease of
Administration

Simplify Plan Design

Strategic Partners

- Leverage technology to replace manual workflows

- What can your vendors do for you?
- Can the process be outsourced?

- Manage to the masses
- Question why plan features exist

- Chose partners that can support you now and in the future.
- Ask if they can support services before they are introduced

Reading Health System

Results



Strategic Partners

Service Demand Reductions

- Vendors can support the plan design
- Appropriate engagement channels are available
- Improved education

Simplify Plan Design

Plan Performance

- Participation rates increased from 11% to 38% in first year
- Assets under management increased by 30%

Create Ease of Admin

Eliminated Non-Value Added Functions

- Enhanced participant services support
- Outsourced workflows

Risk Controls

Eliminated Manual Workflows

- Automate data interface
- Created continuity of service level

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